

The Commonwealth of Massachusetts: Auditor's dept.

DEPARTMENT OF THE AUDITOR

ANNUAL REPORT

FOR THE

FISCAL YEAR ENDING JUNE 30, 1948 - 52

STATE LIBRARY
OF
MASSACHUSETTS



THOMAS J. BUCKLEY
STATE AUDITOR

4-4-49

MASS. OFFICIAL

STATE LIBRARY OF MASSACHUSETTS

APR 5 1949

STATE HOUSE, BOSTON

MASS. STATE
TO
ATTORNEY GENERAL

336,743
A912
1948-52
A
DEPARTMENT OF THE AUDITOR

ANNUAL REPORT

For the

FISCAL YEAR ENDING JUNE 30, 1948

I have the honor to submit the Annual Report of the Department of the Auditor for the fiscal year, July 1, 1947 to June 30, 1948.

Section 12 of Chapter 11 of the General Laws defines the duties of the Department of the State Auditor.

"SECTION 12. The department of the State auditor shall annually make a careful audit of the accounts of all departments, offices, commissions, institutions and activities of the commonwealth, including those of the income tax division of the department of corporations and taxation, and for said purpose the authorized officers and employees of said department of the state auditor shall have access to such accounts at reasonable times and said department may require the production of books, documents and vouchers, except tax returns, relating to any matter within the scope of such audit. The accounts of the last named department shall be subject at any time to such examination as the governor and council or the general court may order. Said department shall comply with any written regulations, consistent with law, relative to its duties made by the governor and council. This section shall not apply to the accounts of state officers which the director of accounts of the department of corporations and taxation is required by law to examine. The department of the state auditor shall keep no books or records except records of audits made by it, and its annual report shall relate only to such audits."

All requirements of the law relating to the duties and functions of the State Auditor have been carefully complied with for the fiscal year ended June 30, 1948.

Personnel: As of June 30, 1948, the permanent Civil Service staff of this office included eight World War I veterans, twelve World War II veterans, and nine non-veterans.

The following promotion has been made:

CHARLES S. MORAN to Semi-Senior Accountant

Public Authorities: Recent sessions of the General Court have created four public authorities.

They are:

1. Boston Port Authority
2. Metropolitan Transit Authority
3. Nantucket Steamship Authority
4. Mystic River Bridge Authority

All of these agencies have two things in common. They derive or will receive substantial income from their operations; and they serve only certain geographical sections of the Commonwealth. The first two have already received substantial subsidies from public funds; the third has been empowered to receive such support should deficits occur; the fourth, in the process of construction, is designed to be self-liquidating; but, should deficits occur, there is little doubt but that a public subsidy will be sought from the General Court.

These Authorities became agencies of government because, while they provide necessary and essential services, at the same time they have demonstrated inability to support themselves independently.

The mere fact that these Authorities are agencies of State Government should entitle the constitutionally created office of State Auditor to examine their accounts. Of these agencies, the Department of the State Auditor audits the Boston Port Authority and the Nantucket Steamship Authority, and is excluded from audits of the Metropolitan Transit Authority and the Mystic River Bridge Authority. Audits of the Metropolitan Transit Authority are delegated by statute to the Department of Public Utilities, while the Act creating the Mystic River Bridge Authority requires audits by private accounting organizations. It is worthy of comment, that the Department of Public Utilities, in the exercise of their auditing powers, has hired private accounting organizations to conduct these examinations. This is a return to the highly unsatisfactory practices of twenty-nine years of Public Control during which the railway, despite private annual audits, deteriorated financially to a point that required public purchase if the facilities of the railway were to be continued in operation.

In the particular case of the Metropolitan Transit, that Authority up to June 30, 1948, in less than a year of public ownership, received public funds amounting to \$5,500,591.15 in partial support of its operations and have reported a further deficit of nearly four million dollars for the first six months of 1948. Such expenditures should not be permitted without verification by a responsible public office.

The Department of the State Auditor will submit legislation placing these Authorities and future Authorities under the auditing jurisdiction of the State Auditor.

Mystic River Bridge Authority—Financing: Chapter 562 of the Acts of 1946 created the Mystic River Bridge Authority. Under the terms of the Act, Commissioners of the Authority are authorized to raise funds by borrowing to erect a high level traffic bridge between Chelsea and Charlestown. The Act further specifies that public credit is not pledged behind bonds issued by the Authority. While there is reasoning behind this provision, at the same time the fact should be faced that should the bridge fail to be self-supporting there is little doubt but that public funds in subsidization will be provided by the Legislature. In view of this possibility, considerable savings would have resulted had the bonds issued by the Authority been backed by public credit. The Authority issued bonds in the amount of \$27,000,000.00 sold at discount for 99½ yielding interest to the investor at a rate of 2.9% per year. By comparison the State Treasurer almost simultaneously borrowed money with public credit, at a premium for 101.51 yielding interest at the rate of 1.35% per year.

The public bonds of the Treasurer were sold at a premium, the private bonds of the Authority at a discount: the public bonds pay 1.35% interest, the private bonds will pay 2.9%. The advantage of public backing is immediately obvious, and the added cost to the Bridge Authority in interest payments will amount to millions of dollars in the next thirty years; in fact, the difference in interest rates alone can conceivably cause deficit operations.

In any future similar undertakings, the Commonwealth should give full consideration to the financial advantages derived from the use of public credit.

General: Individual copies of audit reports for all State activities have been submitted to His Excellency the Governor, the Speaker of the House, the President of the Senate, the Chairman of the Commission on Administration and Finance, the Comptrollers and the State Librarian. Copies also have been forwarded to the administrative head of each institution or agency concerned, the chaplains, medical boards and trustees of the institutions, and the commissioner of each department. These reports have been released as promptly as possible following the completion of examinations.

Summary of Audits Completed: The following listed audits have been made since my last report to the Legislature:

Audits for the 1947 Fiscal Year

| <i>Department or Institution</i> | <i>From</i> | <i>To</i> | <i>Report No.</i> |
|---|----------------|----------------|-------------------|
| GOVERNOR AND COUNCIL: | | | |
| Alcoholic Beverages Control Commission | Mar. 31, 1947 | Apr. 1, 1948 | 2477 |
| Armory Commission | July 15, 1946 | July 1, 1947 | 2391 |
| Art Commission for the Commonwealth | Jan. 6, 1947 | Dec. 18, 1947 | 2417 |
| Ballot Law Commission | Jan. 6, 1947 | Dec. 16, 1947 | 2416 |
| Commission on Administration and Finance | July 1, 1946 | June 30, 1947 | 2438 |
| Commission on Uniform State Laws | Jan. 6, 1947 | Dec. 16, 1947 | 2415 |
| Commissioner of Veterans' Services | Aug. 1, 1946 | Feb. 24, 1948 | 2443 |
| Emergency Housing Commission | June 4, 1947 | Apr. 28, 1948 | 2486 |
| Massachusetts Aeronautics Commission | Aug. 13, 1946 | Sept. 5, 1947 | 2389 |
| Massachusetts Fair Employment Practice Commission | June 2, 1947 | Mar. 30, 1948 | 2448 |
| Military Division of the Executive Department | July 15, 1946 | July 1, 1947 | 2393 |
| Military Reservation Commission | July 15, 1946 | July 1, 1947 | 2392 |
| Milk Regulation Board | July 1, 1946 | Sept. 8, 1947 | 2379 |
| Outdoor Advertising Authority | Sept. 13, 1946 | July 31, 1947 | 2414 |
| Port of Boston Authority | Dec. 23, 1946 | Aug. 11, 1947 | 2404 |
| Public Bequest Commission | Jan. 6, 1947 | Dec. 17, 1947 | 2418 |
| Soldiers' Home in Massachusetts | July 1, 1946 | Aug. 14, 1947 | 2396 |
| State Library | Jan. 2, 1947 | Dec. 15, 1947 | 2411 |
| State Planning Board | June 24, 1947 | June 23, 1948 | 2471 |
| State Racing Commission | Dec. 2, 1946 | Apr. 12, 1948 | 2456 |
| State Superintendent of Buildings | July 10, 1946 | July 9, 1947 | 2376 |
| SECRETARY OF THE COMMONWEALTH: | | | |
| Commission on Interstate Co-operation | Nov. 6, 1946 | July 1, 1947 | 2373 |
| | Jan. 29, 1947 | Sept. 8, 1947 | 2375 |
| TREASURER AND RECEIVER-GENERAL: | | | |
| Emergency Finance Board | Oct. 1, 1946 | Oct. 1, 1947 | 2428 |
| Emergency Public Works Commission | July 1, 1946 | June 30, 1947 | 2410 |
| Massachusetts Public Buildings Commission | Jan. 24, 1947 | May 29, 1947 | 2413 |
| State Board of Retirement | May 29, 1947 | Nov. 24, 1947 | 2413 |
| | Jan. 1, 1947 | Dec. 31, 1947 | 2467 |
| ATTORNEY-GENERAL | Jan. 13, 1947 | Sept. 2, 1947 | 2388 |
| DEPARTMENT OF AGRICULTURE: | | | |
| General Department | July 1, 1946 | July 1, 1947 | 2378 |
| Division of Livestock Disease Control | July 1, 1946 | Sept. 9, 1947 | 2382 |
| Division of Milk Control | May 21, 1947 | Feb. 17, 1948 | 2445 |
| DEPARTMENT OF BANKING AND INSURANCE: | | | |
| Division of Banks | Dec. 19, 1946 | Nov. 10, 1947 | 2409 |
| Division of Insurance | Dec. 2, 1946 | Oct. 23, 1947 | 2412 |
| Division of Savings Bank Life Insurance | July 1, 1946 | Sept. 16, 1947 | 2395 |
| Supervisor of Loan Agencies | Jan. 22, 1947 | June 22, 1948 | 2478 |
| DEPARTMENT OF CIVIL SERVICE AND REGISTRATION: | | | |
| General Department | Dec. 26, 1946 | Mar. 22, 1948 | 2468 |
| Architects, Board of Registration of | Aug. 8, 1946 | Sept. 8, 1947 | 2381 |
| Barbers, Board of Registration of | June 10, 1947 | Apr. 22, 1948 | 2459 |
| Certified Public Accountants, Board of Registration of | May 7, 1947 | Apr. 12, 1948 | 2451 |
| Chiroprody, Board of Registration in | Apr. 28, 1947 | Apr. 12, 1948 | 2454 |
| Dental Examiners, Board of Registration of | May 15, 1947 | May 5, 1948 | 2460 |
| Electricians, State Examiners of | Feb. 12, 1947 | Apr. 1, 1948 | 2452 |
| Embalming and Funeral Directing, Board of Registration in | Apr. 14, 1947 | Apr. 20, 1948 | 2458 |
| Hairdressers, Board of Registration of | July 18, 1946 | Sept. 17, 1947 | 2400 |
| Medicine and Nursing, Boards of Registration in | Apr. 8, 1947 | Jan. 8, 1948 | 2433 |
| Optometry, Board of Registration in | Mar. 24, 1947 | Dec. 29, 1947 | 2422 |
| Pharmacy, Board of Registration in | Apr. 1, 1947 | Mar. 16, 1948 | 2446 |
| Plumbers, Board of Registration | Apr. 8, 1947 | Dec. 29, 1947 | 2426 |
| Professional Engineers and Land Surveyors, Board of Registration of | Mar. 17, 1947 | May 10, 1948 | 2470 |
| Veterinary Medicine, Board of Registration in | Apr. 3, 1947 | Apr. 15, 1948 | 2455 |
| CLERK OF THE SUPREME JUDICIAL COURT FOR THE COMMONWEALTH | Jan. 7, 1947 | Dec. 19, 1947 | 2420 |
| DEPARTMENT OF CONSERVATION | Mar. 3, 1947 | May 3, 1948 | 2473 |
| DEPARTMENT OF CORPORATIONS AND TAXATION: | | | |
| General Department | Dec. 1, 1946 | Nov. 30, 1947 | 2489 |
| Appellate Tax Board | Jan. 20, 1947 | Dec. 8, 1947 | 2421 |
| Division of Accounts | Feb. 17, 1947 | Jan. 6, 1948 | 2440 |
| DEPARTMENT OF CORRECTION: | | | |
| General Department | Jan. 6, 1947 | May 20, 1948 | 2469 |
| Massachusetts Reformatory | May 8, 1947 | May 6, 1948 | 2472 |
| Reformatory for Women | Mar. 10, 1947 | Dec. 1, 1947 | 2432 |
| State Farm at Bridgewater | Feb. 10, 1947 | July 1, 1947 | 2384 |
| State Prison | Sept. 11, 1946 | Jan. 27, 1948 | 2461 |
| State Prison Colony | Apr. 14, 1947 | Apr. 1, 1948 | 2481 |

| <i>Department or Institution</i> | <i>From</i> | <i>To</i> | <i>Report No.</i> |
|---|----------------------|---------------------|-------------------|
| DEPARTMENT OF EDUCATION: | | | |
| General Department | Sept. 23, 1946 | May 12, 1948 | 2484 |
| Teachers' Retirement Board | Jan. 1, 1947 | Dec. 31, 1947 | 2447 |
| Division of the Blind | Dec. 2, 1946 | Nov. 24, 1947 | 2431 |
| Massachusetts Maritime Academy | June 9, 1947 | June 7, 1948 | 2489A |
| State Teachers College at Bridgewater | July 2, 1946 | Dec. 8, 1947 | 2423 |
| State Teachers College at Fitchburg | Apr. 14, 1947 | Jan. 12, 1948 | 2435 |
| State Teachers College at Framingham | July 12, 1946 | Aug. 19, 1947 | 2372 |
| State Teachers College at Lowell | July 23, 1946 | Sept. 2, 1947 | 2397 |
| State Teachers College at North Adams | Apr. 7, 1947 | June 1, 1948 | 2474 |
| State Teachers College at Salem | Apr. 28, 1947 | June 7, 1948 | 2475 |
| State Teachers College at Westfield | Mar. 31, 1947 | May 12, 1948 | 2462 |
| State Teachers College at Worcester | Sept. 30, 1946 | Sept. 22, 1947 | 2390 |
| Massachusetts School of Art | June 9, 1947 | June 14, 1948 | 2476 |
| University of Massachusetts | July 24, 1946 | Sept. 2, 1947 | 2427 |
| University of Massachusetts at Fort Devens | May 26, 1947 | Mar. 8, 1948 | 2441 |
| Bradford Durfee Technical Institute of Fall River | July 19, 1946 | July 28, 1947 | 2387 |
| Lowell Textile Institute | Aug. 1, 1946 | Aug. 5, 1947 | 2399 |
| New Bedford Textile School | July 29, 1946 | Aug. 11, 1947 | 2394 |
| INDUSTRIAL ACCIDENT BOARD | Nov. 18, 1946 | Oct. 3, 1947 | 2401 |
| DEPARTMENT OF LABOR AND INDUSTRIES: | | | |
| General Department | Mar. 3, 1947 | June 1, 1948 | 2485 |
| Labor Relations Commission | Feb. 25, 1947 | Sept. 2, 1947 | 2374 |
| Division of Employment Security | Feb. 3, 1947 | Oct. 9, 1947 | 2406 |
| LEGISLATURE: | | | |
| Sergeant-at-Arms | Jan. 10, 1947 | Dec. 16, 1947 | 2419 |
| DEPARTMENT OF MENTAL HEALTH: | | | |
| General Department | July 1, 1946 | Sept. 5, 1947 | 2408 |
| Belchertown State School | Jan. 20, 1947 | Feb. 16, 1948 | 2449 |
| Boston Psychopathic Hospital | Dec. 3, 1946 | Dec. 2, 1947 | 2429 |
| Boston State Hospital | Mar. 6, 1947 | June 19, 1948 | 2479 |
| Danvers State Hospital | Oct. 30, 1946 | Oct. 21, 1947 | 2405 |
| Foxborough State Hospital | Nov. 18, 1946 | Oct. 1, 1947 | 2402 |
| Gardner State Hospital | Feb. 10, 1947 | Nov. 18, 1947 | 2425 |
| Grafton State Hospital | Sept. 3, 1946 | July 22, 1947 | 2386 |
| Medfield State Hospital | May 26, 1947 | Mar. 8, 1948 | 2450 |
| Metropolitan State Hospital | Apr. 17, 1947 | Jan. 26, 1948 | 2436 |
| Monson State Hospital | Dec. 2, 1946 | July 1, 1947 | 2371 |
| Myles Standish, Division of | May 6, 1947 | Jan. 30, 1948 | 2453 |
| Northampton State Hospital | Oct. 31, 1946 | Jan. 13, 1948 | 2437 |
| Taunton State Hospital | Sept. 25, 1946 | Dec. 23, 1947 | 2430 |
| Walter E. Fernald State School | Sept. 23, 1946 | Sept. 16, 1947 | 2398 |
| Westborough State Hospital | May 20, 1947 | Apr. 5, 1948 | 2465 |
| Worcester State Hospital | Apr. 28, 1947 | May 1, 1948 | 2482 |
| Wrentham State School | Mar. 19, 1947 | Mar. 1, 1948 | 2444 |
| METROPOLITAN DISTRICT COMMISSION | July 15, 1946 | July 8, 1947 | 2383 |
| DEPARTMENT OF PUBLIC HEALTH: | | | |
| General Department | July 30, 1946 | July 7, 1947 | 2377 |
| Lakeville State Sanatorium | Dec. 26, 1946 | Oct. 23, 1947 | 2407 |
| North Reading State Sanatorium | Feb. 3, 1947 | Dec. 1, 1947 | 2424 |
| Rutland State Sanatorium | Jan. 7, 1947 | Sept. 29, 1947 | 2403 |
| Westfield State Sanatorium | Feb. 24, 1947 | Apr. 5, 1948 | 2463 |
| Pondville Hospital | Oct. 14, 1946 | Apr. 9, 1948 | 2457 |
| DEPARTMENT OF PUBLIC SAFETY | Dec. 2, 1946 | Apr. 7, 1948 | 2466 |
| DEPARTMENT OF PUBLIC UTILITIES | Jan. 28, 1947 | Aug. 5, 1947 | 2380 |
| DEPARTMENT OF PUBLIC WELFARE: | | | |
| General Department | Nov. 1, 1946 | Jan. 2, 1948 | 2439 |
| Division of Juvenile Training | Jan. 31, 1947 | May 6, 1948 | 2483 |
| Industrial School for Boys | Apr. 7, 1947 | Jan. 26, 1948 | 2434 |
| Industrial School for Girls | Mar. 17, 1947 | Mar. 1, 1948 | 2442 |
| Lyman School for Boys | July 23, 1946 | July 7, 1947 | 2385 |
| Massachusetts Hospital School | Jan. 21, 1947 | Apr. 7, 1948 | 2480 |
| Tewksbury State Hospital and Infirmary | Feb. 25, 1947 | May 3, 1948 | 2488 |
| DEPARTMENT OF PUBLIC WORKS: | | | |
| General Department | Aug. 19, 1946 | Feb. 2, 1948 | 2464 |
| Registry of Motor Vehicles | Apr. 29, 1947 | Apr. 15, 1948 | 2487 |

ALCOHOLIC BEVERAGE CONTROL COMMISSION

Recording of Excise Taxes Collected: Previous reports commented on the inconsistency of the Income Tax Division's reporting of its collections on behalf of the Alcoholic Beverages Control Commission. The same condition existed at the beginning of the audit period, however, the Commission and the Department of Corporations and Taxation have agreed to resume compilation of monthly statements and to make reports bringing the current fiscal year up-to-date. While the current audit was in progress this statement of collections had been received by this Commission, covering the period from July 1, 1947 to March 31, 1948.

Deficiency Appropriation: A travel advance dated June 28, 1946, which was reported as not having been paid in the last audit report, is still unpaid as there has been no definite appropriation made to cover this item.

This item was commented on in the audit report of the previous examination and totaled \$656.57.

COMMISSION ON ADMINISTRATION AND FINANCE

General: For the past several years, audit reports issued as a result of examinations made of the Commission on Administration and Finance have contained lengthy statements with reference to the present accounting system of the Commonwealth. Criticisms for the most part have been directed at the systems maintained by the Comptroller's Bureau, since that Bureau is the official bookkeeper of the Commonwealth.

In any business, accounting is fundamentally an overhead expense, contributing nothing towards production. For that reason the costs should be maintained at the lowest possible level. The sole purpose of an accounting system is to maintain an informative financial control over the business in which it operates. In State accounting, the only complications arise from the volume of business maintained by the State, since in general the accounts are merely cash accounts. To put it simply, the Legislature provides an appropriation and the State department or agency concerned is required to maintain the laws of the institution it controls within the appropriation that has been provided. Several years ago the Commonwealth of Massachusetts added expensive complications to the State financial controls. The complications have served no useful purpose but have added materially to the bookkeeping or accounting costs of the Commonwealth. Before the institution of the Commission on Administration and Finance in 1923 when the State expenditures approximated \$44,000,000.00, the accounting costs of the State agency then in control of the State's books amounted to approximately \$78,000.00 a year. At the present time, the costs of the Commission on Administration and Finance amount to approximately \$500,000.00 a year. Additional expenses have been imposed upon all departments and institutions in the maintenance of the present accounting system, and a conservative estimate would be that State accounting costs \$1,000,000.00 a year.

Two of the major changes now incorporated in the accounting system which have proved to be of no practical advantage are the allotment system and the encumbrance system.

A. Allotment System: Chapter 564 of the Acts of 1941 provides that the Governor shall divide each fiscal year into allotment periods and that he shall allot to each agency of State government an amount which may be expended during the allotment period.

The purpose of an allotment system is to control appropriations and to prevent overdrafts. The present allotment system has failed to bring any improvement in financial control. A proper measure of the efficiency of the control over appropriations can best be arrived at by an examination of deficiency appropriations found necessary by the Legislature. Deficiencies sometimes result from unusual items of expense which cannot be anticipated, but

more often they result from lack of proper financial control. In 1938, before the adoption of the allotment system, it was necessary for the Legislature to approve deficiency appropriations in fifty-eight items. By comparison, in 1946 with the allotment system in effect, the Legislature was called upon for deficiency appropriations in eighty-one items of expense. On April 15, 1947, the Legislature found it necessary to approve deficiency appropriations in sixty-four items, affecting twenty-nine agencies of the Commonwealth. To further demonstrate the absolute futility of the present allotment system, seventy-one allotments were made by the Commission on Administration and Finance to various agencies of the Commonwealth for the fiscal year ending June 30, 1947 after the end of the fiscal year.

B. Encumbrances: Installation of the encumbrance system resulted from Chapter 495 of the Acts of 1939, and again the system was installed for the purpose of controlling appropriations to prevent overdrafts. The same criticisms made, therefore, of the allotment system also apply to the encumbrances. In addition, however, it can be demonstrated that the encumbrance system as ordinarily applied to the other agencies to State government have not been applied to the accounts of the Comptroller's Bureau itself. Attention is directed to the following letter which was issued by the State Comptroller on July 22, 1947:

C O P Y

THE COMMONWEALTH OF MASSACHUSETTS

COMMISSION ON

ADMINISTRATION AND FINANCE

State House, Boston

July 22, 1947

To the Head of Each Department, Institution and Spending Agency

SUBJECT: 1947 Encumbrances transferred to 1948

Dear Sir:

Encumbrances outstanding on June 30, 1947 against the type of appropriations listed below will be liquidated on our records as of June 30, 1947:

1. *Special Appropriations.* This includes those which expired on June 30 and have unliquidated obligations and those which are available for expenditure in 1948.

2. *Federal Grants and Trust Funds.*

3. *Certain 1947 Maintenance Appropriations.* This includes certain 1947 maintenance appropriations where the 1948 maintenance appropriations include either of the following provisions:

a. "Available for previous years' payments."

b. "In addition to any amount heretofore appropriated for the purpose."

Reference should be made to your appropriation letter from this bureau notifying you of the amounts available for expenditure in 1948 to determine which items are of this nature.

Actual copies of Purchase Orders outstanding June 30, 1947 on any appropriation items of the above nature should be forwarded to this office to be encumbered on the 1948 records.

Sufficient allotment should immediately be requested to make funds available to cover these encumbrances on your 1948 records.

Very truly yours,

FRED A. MONCEWICZ, *Comptroller*

The purpose of this letter, and properly so, is to prevent agencies of the government from expending during the closing days of the fiscal year amounts which might otherwise revert as of June 30, therefore, there can be no criticisms of the purposes of this letter. However, the Comptroller's Bureau, the agency which issued this order, did not apply this order to their own accounts. On June 30, 1947, in the Comptroller's expense account, there was a balance of \$4,587.08. The Comptroller's Bureau, despite the order which they issued to all other State agencies, encumbered the full amount of this balance so that none of it would revert to the Commonwealth.

Machine Room: For several years the Commission on Administration and Finance has used tabulating equipment. This equipment can only be leased, and most of the supplies used in their operation can be purchased only from the company that owns the machines. For the fiscal year 1947, the expenses of this machine room were as follows:

| | | |
|---------------------------------|-------------|-------------------|
| Salaries | \$30,546.27 | |
| Overtime | 953.35 | |
| | | \$31,499.62 |
| Rental of machines | | 15,421.13 |
| Supplies | | 3,237.39 |
| Meals a/c overtime | | 250.50 |
| Typewriters purchased | | 144.25 |
| Printing and binding | | 37.97 |
| Office furniture | | 22.25 |
| Express | | 6.42 |
| Repairs to machines | | 3.00 |
| | | <hr/> \$50,622.53 |

Except for some analysis work, all of the operations of these machines are a duplication of accounting already done in the Comptroller's Bureau or other divisions. That section of the work which is not duplicated was performed, prior to the installation of the machines, by several clerks at a fraction of the cost required to rent and to maintain the present machine room.

Printing Department: Examination of expenditures for the operation of the Printing Department indicates that the cost of this office is entirely disproportionate with the services rendered.

The Printing Office, having established the price by awards to the lowest bidder, appears to assume no responsibility for the accuracy or perfection of the work; and the department concerned, having little or no control over the successful bidder, is often handicapped under this arrangement, because of undue delays and poor printing.

It is recommended that the Commission on Administration and Finance reorganize this part of the Purchasing Bureau for greater efficiency and economy.

COMMISSIONER OF VETERANS' SERVICES

Checking of Payments on Account of State and Military Aid and Burials:

In the audit report of the previous examination it was stated:

"In checking State and Military Aid and Burials it was noted that the dates of the returns from the cities and towns vary from a few days to several months after the tenth of the following month. It was also noted that payments offered in the returns are often retroactive. It should be noted that Section 15 of Chapter 115 as amended referring to the returns states:

'. . . shall, within the first ten days of the month following the month in which the expenditure was made . . . be certified . . . to said commissioner.'

"The question of his authority to approve expenditures not made in 'the previous month' or which are certified after the tenth day of the following month has been referred to the Attorney General."

In this connection the following excerpts from an opinion of the Attorney General in this regard under date of February 8, 1943 are shown:

"You have asked me whether payments made by the Commonwealth to cities and towns for reimbursements under Section 15 have been validly made in instances where the municipality has not certified the amount expended for state or military aid *within the first ten days of the month* following the month in which the expenditure was made, but have filed such certificates and the data required by Section 15 later than the date set forth in said Section 15.

"I am of the opinion that the fact that such certificates were not filed on or before the date mentioned in said Section 15 does not render invalid payments made in reimbursement under Section 15."

MASSACHUSETTS AERONAUTICS COMMISSION

Bedford Airport: Since the previous report, the Commonwealth has taken over the control of the Bedford Airport. Mr. A. L. Edson was appointed superintendent on August 7, 1946 and offices were opened at the airport. A separate appropriation is authorized for the Bedford Airport and an advance of \$200.00 made by the East Boston office for petty cash.

The books at the airport consist of the standard State cash book, an analysis of expenses book, a form of bill book and a check book on the Lexington Trust Company. There is also a budgetary control book.

Schedules of payments from petty cash are made up at Bedford, forwarded to the Comptroller and reimbursement made direct to Bedford. The clerk at Bedford notifies the East Boston office of the total expenses each month and this is journalized and posted to the general cash book in the East Boston office. Up to the time of this audit, income received and forwarded to the East Boston office did not pass through the cash book, but this is being done as of the start of the present fiscal year. Copies of all bills are sent to the East Boston office together with income received, and are then set up in the accounts receivable account.

MILITARY DIVISION OF THE EXECUTIVE DEPARTMENT

Rifle Range at Camp Curtis Guild—Purchase of Land for Rifle Range: Chapter 291 of the Acts of 1925 provides for a State rifle range:

"An Act authorizing the Armory Commissioners to Acquire Land for a State Rifle Range

Be it enacted, etc., as follows:

After an appropriation has been made for the purpose, the armory commissioners are hereby authorized, with the approval of the governor and council, to acquire by purchase or to take by eminent domain under chapter seventy-nine of the General Laws, land for a state rifle range, at an expense not to exceed sixty thousand dollars. The state quartermaster, with the approval of the adjutant general, shall establish a system of fees sufficient to provide for the entire cost of maintaining said range plus five per cent per annum on the investment of the commonwealth therein, and shall file drafts of such further legislation, if any, as may be necessary for this purpose with the clerk of the house of representatives not later than December first of the current year and at the same time shall file copies thereof with the budget commissioner."

The records of the Armory Commission show that on February 16, 1926 the Commissioners voted to award for damages the following amount:

| | |
|--|-------------|
| The Woburn National Bank | \$ 7,663.75 |
| The Bay State Military Rifle Association, Inc. | 57,336.25 |
| | <hr/> |
| | \$65,000.00 |

It was noted that for the 1947 fiscal year the provisions of Chapter 291 of the Acts of 1925 were not met as is indicated by Schedule No. XI in this report which shows an operating loss of 15.36% for the 1947 fiscal year.

OUTDOOR ADVERTISING AUTHORITY

Compensation of Chairman: Section 2 of Chapter 612 of the Acts of 1946 reads in part as follows:

"The Chairman of the authority shall receive from the commonwealth as compensation the sum of twenty-five dollars for each day's attendance at board meetings, but not exceeding twenty-five hundred dollars per annum."

It was noted that the chairman has been paid for 6 days in June 1947 and for 1 day in July 1947 for which there was no record in the "Minutes" that board meetings had been on those days. This matter was called to the attention of the officials of the Authority with the suggestion that the Attorney General be requested to render an opinion as to whether the Chairman was entitled to compensation for duties other than attendance at board meetings. The Attorney General in an opinion dated September 2, 1947 stated:

"The Legislature has seen fit to provide compensation for them only for attendance at board meetings. No provision is made for further compensation on a per diem or any other basis for activities carried on outside of such meetings."

Following the receipt of this opinion the Chairman of the Authority refunded \$175.00 representing compensation for 7 days to the State Treasurer.

PORT OF BOSTON AUTHORITY

Expenses: The Port of Boston Authority was created by Chapter 619 of the Acts of 1945, and under amendments made to Chapter 6 of the Tercentenary Edition of the General Laws in Sections 54 and 55, the Authority has been given practically unlimited authority in the expenditure of the funds appropriated to it. Under these powers, the Commissioners of the Port Authority have approved many expenditures not properly vouched, and in numerous cases the propriety of the expense incurred has been questionable. All of these items have cleared through the Comptroller's Bureau, and while it may not have been within the authority of the Commission on Administration and Finance to refuse payment of these bills once they had been approved by the Commissioners of the Port Authority, it certainly was within the power of the Comptroller's Bureau to withhold payment until complete vouchers were submitted, or until doubtful expenditures were explained and justified.

As an example of items not properly vouched, the Port Authority has approved and the Comptroller's Bureau has cleared payments of thousands of dollars under the heading of "Solicitation." These expenditures included on expense vouchers of various employees of the Port Authority were listed in sums ranging from \$5.00 to \$50.00, entirely unsupported by vouchers.

As an example of questionable expenditures, numerous instances were found wherein the Commissioners have approved membership charges in various private clubs throughout the country which the employees of the Port Authority had joined as individuals. Had these memberships been issued in the name of the Port Authority there could be no valid objection to this item of expense,

however, it was noted that in practically every instance it was the employee who had joined the club and not the Port Authority. For one example of this practice, the Commonwealth has paid \$480.00 for an employee of the Port Authority to join the Union League Club of Chicago, and this membership fee included an \$80.00 federal tax. Obviously the Port Authority did not join the Union League Club but the employee did, since the Port Authority as a State Agency would not pay a federal tax.

It is recognized by this Department that the function of the Port Authority is to attract shipping to the Port of Boston, and since the Authority is fundamentally a sales agency, the Legislature gave the Authority more latitude and freedom in expenditures than normally permitted to other State agencies. In the exercise of extensive authority that has been granted to them, it is recommended that the Commissioners exercise more restraint and install more thorough supervision over expenditures, particularly in the matter of travel vouchers.

Professional Engineering Services—Unpaid August 11, 1947: It was noted that four agreements were entered into with a Boston firm of engineers to provide engineering services on four projects, and of the total of \$41,185.77 billed for these services, bills totaling \$33,223.45 have been paid, leaving \$7,962.32 unpaid. The unpaid bills cover engineering services rendered from March 1, 1946 to June 30, 1946. It would appear that a deficiency appropriation will be necessary before these bills can be paid.

In addition to the engineering work done under the four agreements previously mentioned, it would appear the same Boston engineering firm was engaged orally in November 1945, to proceed with plans for Hoosac Pier. Bills totaling \$18,187.10, covering services from October 30, 1945 to December 31, 1946, have been rendered but to August 11, 1947 had not been paid by the Port Authority. Further reference to the Hoosac Pier bills will be found later in this report under the heading of Hoosac Pier.

A summary of the bills rendered by this engineering firm follows:

| AGREEMENT | | BILLS PAID | | BILLS UNPAID | |
|-----------|--|-------------|-------------|---------------------------------------|-------------|
| No. | AGREEMENT | AMOUNT | AMOUNT | PERIOD | TOTAL |
| 1 | Proposal for consulting engineering services for the preparation of a comprehensive report upon the Port of Boston and its waterfront facilities. | \$14,471.79 | \$7,121.62 | 3/1-6/29/46 | \$21,593.41 |
| 2 | Proposal for general engineering services in connection with work of the Port Authority. | 2,100.76 | 223.24 | 6/1-6/29/46 | 2,324.00 |
| 3 | Proposal for general engineering services in connection with dredging in Weymouth Fore River in the channel at the Squantum and in the Wollaston Yacht Club and in the Malden River. | 15,465.25 | 403.11 | 6/1-6/29/46 | 15,868.36 |
| 4 | Proposal for engineering service in connection with the repair of Stony Beach seawall, Town of Hull | 1,185.65 | 214.35 | 6/1-6/29/46 | 1,400.00 |
| | Development of Hoosac Pier | | 18,187.10 | 10/30/45- 5/31/46 8/ 1/46-12/31/46 | 18,187.10 |
| | | \$33,223.45 | \$26,149.42 | | \$59,372.87 |

Hoosac Pier in Charlestown: Under authority granted by Section 10 of Chapter 619 of the Acts of 1945, the Port Authority has entered into an agreement dated November 26, 1946, with the Boston and Maine Railroad, which provided that as soon as practicable after December 20, 1946, the Commonwealth would pay to the railroad \$1,042,176.00 in return for a "good and sufficient confirmatory quit claim deed of said property." Payment was made to the railroad on April 17, 1947, and the Commonwealth acquired the property.

The agreement also provided that:

"simultaneously with the full and just compensation of the railroad by the Commonwealth as hereinbefore provided, the Commonwealth as

lessor and the railroad as lessee will enter into a lease in the form set forth in Exhibit "I" attached hereto and made a part hereof, subject to such changes, if any, as may be mutually agreed upon."

This lease was signed April 17, 1947.

The agreement further provides:

"The lessee will operate the demised premises as a water terminal, and will use its best efforts to encourage the flow of traffic through the Port."

The Port Authority, as required by Section 10 of Chapter 619 of the Acts of 1945, forwarded the agreement with the Boston and Maine Railroad previously described, to the Governor and Council with a letter dated November 25, 1946 and the agreement was approved by the Governor, December 17, 1946, and the lease of the pier to the railroad was approved by the Governor and Council also on December 17, 1946.

The letter to the Governor and Council states that no exact amount of yearly rent can be established until the pier is built and exact cost known, but that the maximum amount allowed for construction is \$2,600,000.00; which, added to the purchase price of the property of \$1,042,176.00, gives \$3,642,176.00 as the estimated cost. On this basis, in order to amortize 60% of the cost in twenty years the estimated annual rent would be 3% of \$3,642,176.00 or \$109,265.28.

The State Treasurer in compliance with a request of the Port Authority on January 24, 1947, issued bonds totaling \$1,500,000.00.

Section 10 of Chapter 169 of the Acts of 1945 reads as follows:

"Section 10. Subject to the conditions herein imposed for the purpose of purchasing sites and pier locations and for the construction thereon of pier facilities under authority of chapter ninety-one A of the General Laws, inserted therein by section three of this act, the state treasurer shall, upon request of the Authority and with approval of the governor and council, issue and sell at public or private sale bonds of the commonwealth, registered or with interest coupons attached, as he may deem best, to an amount to be specified by the Authority from time to time, but not exceeding, in the aggregate, the sum of fifteen million dollars. All bonds issued by the commonwealth as aforesaid shall be designated on the face: Boston Harbor Facilities Loan, 1945, and shall be on the serial payment plan for such maximum term of years, not exceeding twenty years, as the governor may recommend to the general court pursuant to section 3 of Article LXII of the Amendments to the Constitution of the Commonwealth, the maturities thereof to be so arranged that the amount payable each year, other than the final year, shall be as nearly equal as in the opinion of the state treasurer is practicable; provided, that no construction, to be paid for from the proceeds of the bond issue hereby authorized, shall be done unless the Authority shall have first executed a written contract, approved by the governor, with a responsible party providing for the lease of said property, the minimum requirements of which shall be at a rate sufficient to amortize sixty per cent of the actual cost to the commonwealth of the facilities included in the lease, over a period not to exceed twenty years, which contract may provide that at the expiration of the term of the lease it may, at the option of the lessee, be renewed for a further period of twenty years; and provided, further, that no expenditure or commitment from the proceeds of said bond issue in excess of five million dollars shall be made without further authorization by the general court therefor."

At a board meeting of the Commissioners of the Port Authority on November 6, 1945, it was voted that a Boston engineering firm proceed with preliminary

plans for the pier to be constructed on the site of the former Hoosac Docks in Charlestown. Nothing could be found in the records to indicate that a written agreement was entered into, and apparently the engineering firm proceeded with the work under an oral understanding, as they rendered bills to the Authority totaling \$18,187.10 for services from October 30, 1945 to December 31, 1946 in this connection. As previously stated in this report, these bills have not yet been paid, and the services of this engineering firm were apparently discontinued in December 1946, and another engineering firm was engaged on December 20, 1946. The records show that the first engineering firm submitted a proposal for the engineering and design services in connection with the proposed Hoosac Pier, based on $4\frac{1}{4}\%$ of the construction cost, and the second engineering firm submitted a proposal of $3\frac{1}{2}\%$ of the construction cost, with a minimum fee of not less than \$90,000.00. On December 20, 1946, the Board of Commissioners by unanimous vote approved the proposal of the second engineering firm, apparently because it was the lower of the two received, and this proposal was approved by the Governor and Council on June 11, 1947.

On May 21, 1947, the Board of Commissioners awarded a contract to a local contractor for \$17,500.00 for the demolition and removal of the old Hoosac Pier, and this was completed by September 1, 1947.

The contract for the construction of the new pier has not yet been awarded, as apparently the plans and drawings have not yet been completed.

Mystic Wharves in Charlestown: Chapter 714 of the Acts of 1941, as amended by Chapter 532 of the Acts of 1947, authorized the acquisition by the Commonwealth of Mystic Wharves from the Boston and Maine Railroad and the construction of a new pier on the site of Piers 46 and 47. Said Chapter 532 provided that the cost of acquiring and developing such property should not exceed six million dollars.

It was also understood that the Port Authority did not begin construction on the Mystic Terminal in 1946, because in 1941 the Boston and Maine Railroad partially tore down the Hoosac Pier and to have commenced construction of the Mystic Terminal would have left Charlestown without piers. The Port Authority decided to rebuild the Hoosac Pier before tearing down the Mystic Wharves, and when the Hoosac Pier is completed, then start work on the Mystic Terminal. It is estimated by the Port Authority that the Hoosac Pier will be completed by December 31, 1948.

Castle Island Terminal: Interim Lease dated June 6, 1946, by the War Department—Corps of Engineers, Office of Division of Engineer—N. E. Division, Boston, Mass.

to

Commonwealth of Massachusetts
Port of Boston Authority
Boston

"Interim License to Port of Boston Authority, for immediate right of entry and use of Castle Island Terminal."

The lease, which was approved by the Governor and Council, provides that the Port Authority is to reimburse the Federal Government for all costs incurred by the Federal Government under the following outstanding instruments:

(1) Lease contract No. W19-016-eng 499 with the White Fuel Corporation covering 11,540 sq. ft. of land, located at East First St., South Boston, Mass., for the rental of \$1.00 per term and the term expires six months after termination of the Unlimited National Emergency as declared by the President of the United States.

(2) Lease contract No. W19-016-eng 215 with the City of Boston covering 6.3 acres of land located in South Boston for the rental of

\$1.00 a year, the term was from March 27, 1942 renewable from year to year to June 30, 1961.

(3) Lease contract No. W-1732-eng-29 with the Commonwealth of Massachusetts covering 76.5 acres of land located in South Boston for the rental of \$1.00 per term and the term was from February 1, 1942 to June 30, 1961.

(4) Lease contract No. W-1732-eng-1080 with Howard Coonley, et al, Trustees of the South Boston Industrial Track, covering a railroad right of way owned by the lessors and located at East First and West First Streets, South Boston for the rental of \$3,000.00 a year payable in monthly installments and the term was from February 20, 1942 to a date six months after the termination of the Unlimited National Emergency as declared by the President of the United States.

No time limit is stated in the interim lease, but the final paragraph reads:

"A formal license will be prepared by this office and forwarded to the Under-Secretary of War for approval. Upon approval, a copy will be forwarded to you."

The interim lease does not provide for any payments to the Federal Government other than the reimbursements previously mentioned.

It was understood from the officials of the Port Authority that the Castle Island Terminal covers about 4,125,700 square feet, (includes 3,323,400 square feet of Commonwealth land), of which 191,970 square feet is wharf area and includes two sheds, Transit Shed No. 1 and Transit Shed No. 2.

Referring to reimbursements to the Federal Government provided for in the interim lease, it was noted that to date of audit nothing has yet been paid under clause 4, previously quoted.

Boston Tidewater Terminal, Inc.: The Port Authority effective as of June 20, 1946, granted permission to the Boston Tidewater Terminal, Inc., to use all of the property included in the interim lease from the Federal Government except 48,000 square feet of storage space in the eastern bay of Shed No. 1 and 239,750 square feet of land adjacent to and in the rear of said eastern bay and so-called South Boston Industrial Track as a terminal operator for the handling of commercial cargoes.

Under the terms of the agreement:

The permittee will pay to the Commonwealth of Massachusetts for the use and occupancy of said premises, a sum equal to seventy-five (75) per centum of all net receipts of the permittee for the use and occupancy of said premises. "Net receipts shall mean all receipts of the permittee from the use and occupancy of said premises less all actual disbursements, with the exception of supervisory management and office personnel. The permittee is to furnish the Authority on or before the fifteenth (15th) day of each month, an itemized statement under oath showing invoices or statements rendered and for what services and payments received thereunder, together with any other pertinent data required." The payments required shall be delivered by the permittee to the Authority on the 15th day of each month, beginning on the 15th day of July, for all payments received by the permittee during the preceding month.

The permittee pays all taxes incidental to the operation but not including real estate taxes or payments in lieu thereof.

The permittee shall pay for all electricity used and shall make the necessary arrangements for furnishing the same.

The acceptance of this permit shall constitute an agreement by the permittee to conform to all terms and conditions herein stated.

It may be cancelled or revoked at any time upon five days written notice by the Authority or thirty days written notice by the permittee.

Under the agreement, the Boston Tidewater Terminal, Inc., has filed monthly reports as required. The permit terminated 12.01 A.M., November 1, 1946, but final settlement has not been made with the Port of Boston Authority, apparently because the July 31, 1947 report filed by the Boston Tidewater Terminal showed outstanding accounts receivable totaling \$874.04. The excess of billings by the Boston Tidewater Terminal over expenses amounted to \$13,800.26, and assuming the outstanding accounts receivable are collected, the Port Authority's share is three quarters of that amount, or \$10,350.20. To August 11, 1947, only one payment has been received by the Port Authority, namely, \$7,955.95 on March 13, 1947.

To August 11, 1947, the monthly reports of the Boston Tidewater Terminal, Inc., have not been verified to the books of that company by a representative of the Port Authority. It is recommended that this be done before final settlement is made.

Terminal Operator's, Inc.: Effective 12:01 A.M., November 1, 1946, upon the termination of the agreement with the Boston Tidewater Terminal, Inc., the Port of Boston Authority granted a permit to the Terminal Operator's Inc., upon substantially the same terms and premises as the one to the Boston Tidewater Terminal, Inc., except that included in this permit is that portion of premises formerly set aside for Federal Public Housing Authority, the distribution of profit being exactly the same. The permit provides that it may be revoked upon five days written notice by the Port Authority or thirty days written notice by the permittee, and, in any event, shall expire June 30, 1948.

The Terminal Operator's Inc., have filed monthly reports of results of operation with the Port Authority as required. Under the agreement, the Commonwealth does not receive its 75% share until the Terminal Company has collected on its billings an excess over expenses, and according to a tabulation of the monthly reports for the period of November 1, 1946 through July 31, 1947, the expenses exceed the collections, consequently nothing has yet been paid to the Port Authority.

To August 11, 1947, the monthly reports of Terminal Operator's Inc., have not been verified to the books of the company, and it is suggested that this verification be made in the near future.

A comparison of the revenue received by the Port Authority and potential revenue accruing to it on account of the Castle Island Terminal with the expenses of maintaining that facility follows:

COMPARISON OF REVENUE WITH EXPENSES OF MAINTAINING CASTLE ISLAND

June 20, 1946 through July 31, 1947

| | |
|--|-------------|
| Revenue Received | |
| Potential Revenue, estimated on basis that outstanding accounts receivable will be collected | \$ 7,955.95 |
| | 78,900.00 |
| | <hr/> |
| | \$86,855.95 |
| Expenses: | |
| Salaries: | |
| Guards | \$67,626.29 |
| Clerks | 13,678.09 |
| Laborers | 8,127.03 |
| Cargo Surveyors | 2,500.00 |
| | <hr/> |
| | \$91,931.41 |
| Miscellaneous expenses, minor repairs, etc. | 4,811.47 |
| | <hr/> |
| | \$96,742.88 |

Ten Cents a Ton Wharfage (Trackage) Charge to Railroads: The previous audit report stated:

"Clause 3 of an agreement approved by the Governor and Council November 6, 1912, reads:

'3. The New Haven and the Boston and Maine respectively, shall pay to the Commonwealth, through its directors of the

port of Boston, a wharfage charge of ten (10) cents a ton on all goods taken by them respectively, to and from the South Boston piers (or transported between their respective terminals and the South Boston piers) and shall absorb this charge in the freight rates. If passengers are taken directly to and from the pier a suitable charge per passenger may be made by the directors of the port of Boston.'

"It was the practice for the N. Y., N. H., & H. R. R. to furnish the Division of Waterways with a Railroad Tonnage Export and Import Statement for each ship docking at Commonwealth Pier No. 5 in which railroad tonnage was involved and the statement showed the amount of tonnage chargeable to each of the two railroads. This practice continued and the railroads paid the 10 cent tonnage charge until the Pier was taken over by the U. S. Navy at the beginning of World War II. When the Pier was returned in part by the Navy to the Commonwealth in November, 1945, the N. Y., N. H., & H. R. R. furnished the tonnage statements up to about February 1, 1946. The Port Authority rendered bills to the railroads for this same period of time, but to date of audit the railroad had not paid the charges. The Port Authority rendered no further bills to the railroads after about February 1, 1946, up to the date of this audit. The matter of billing the railroads was discussed with the officials of the Port Authority who decided to bill the N. Y., N. H., & H. R. R. for all railroad tonnage shown by the ships' manifests subsequent to about February 1, 1946, and through December 31, 1946, however, in the absence of tonnage statements from the N. Y., N. H., & H. R. R., the Port Authority has no way of prorating the charges between the N. Y., N. H., & H. R. R. and the B. & M. Railroads.

"During the period when no bills were being rendered, several informal discussions were held by the officials of the Port of Boston Authority with representatives of the railroad with no result, but it was understood that the Port Authority intends to take suitable steps to enforce the terms of the agreement."

The Port of Boston Authority has continued to render bills to the N. Y., N. H., & H. R. R., for this charge, but the railroad has made no payments up to the date of this audit, and as of August 11, 1947, the ledger account shows an unpaid balance of \$14,320.27.

Since the previous audit, conferences have been held by the officials of the Port of Boston Authority and representatives of the railroad, apparently with no result, as under date of August 14, 1947, the Port Authority made a formal demand on the railroad for payment. The railroad, by a letter dated August 21, 1947, refused to pay; consequently, the Board of Commissioners of the Port Authority voted on September 8, 1947, to turn the entire matter over to the Attorney General.

Use of Elevators at Commonwealth Pier 5: Item 7 of the Tariff Charges issued by the Port of Boston Authority on October 23, 1946, effective November 23, 1946, reads as follows:

Item 7. ELECTRIC WINCHES AND ELEVATORS

(a) The charge for the use of electric winches and elevators will be at the rate of \$2 per hour per winch or elevator.

(b) Operators for winches and elevators shall be furnished by the parties making use of this equipment.

It was understood that there are no electric winches at the pier, but there are six elevators. It was noted that no charges appear in the Accounts Receivable for the use of the elevators. In view of the fact that repairs costing over \$9,000.00 were made on the elevators during the period of September

20, 1946 to June 30, 1947, it would appear that the elevators must have been used to a considerable extent. However, it was understood that this item will be stricken from the tariff in the near future.

Clerical Services Charged to Appropriation for "Operation and Maintenance of Property": It was noted that the salaries of seven clerks totaling \$12,565.59 were charged to the allotment made from this appropriation for the 1947 fiscal year for "Personal Services—Castle Island." It would not appear that there could be that amount of clerical work in connection with Castle Island, as that facility is let out to a private terminal company. Apparently most of the \$12,565.59 should have been charged to the appropriation for "Administration" as the duties of the clerks concerned related to administration.

Legal Counsel: It was noted that on June 10, 1947, the Board of Commissioners of the Port Authority voted to renew the services of a certain Boston law firm for the period of July 1, 1947 through June 30, 1948 at a fee of \$8,500.00, payable \$708.33 a month. Apparently the employment of counsel is authorized by Section 2 of Chapter 619 of the Acts of 1945, which reads in part as follows:

"Said Authority shall employ, within the limits of the amount appropriated therefor, such experts, counsel as it may deem necessary."

Inactive Accounts Receivable: There were transferred to the Port Authority from the Division of Waterways in the Department of Public Works twenty-seven so-called inactive accounts totaling \$33,745.91, the dates of the charges on these accounts ranging from 1937 to 1945.

The previous audit report suggested that these accounts be given to the Attorney General for collection. It was noted that the accounts were turned over to the Attorney General on July 8, 1947.

Property Owned by the Port Authority: The question of land and buildings owned by the Port Authority but not being occupied was discussed with the officials of the Port Authority, and it was understood that in the near future advertisements will be inserted in the trade journals inviting bids for the use of the property.

Schedules prepared by the engineering division of the Port Authority showing buildings and land owned by the Authority follow:

BUILDINGS OWNED BY PORT AUTHORITY

| BUILDINGS SOUTH BOSTON | ASSESSED VALUATIONS | AREA IN SQUARE FEET |
|---|------------------------|------------------------|
| Pile Pier (Grasselli) | \$ 22,500.00 | 15,000 Ft. |
| Heating Plant & Chimney | 41,000.00 | 4,840 " |
| Bosun's Locker | 18,000.00 | 240 " |
| Shed Under Viaduct | 22,000.00 | 6,250 " |
| E Street Storehouse | 139,000.00 | 178,000 " |
| E Street Storehouse (platforms) | 23,500.00 | 18,000 " |
| Boiler House | 6,500.00 | 2,500 " |
| Grasselli Building | 25,000.00 | 15,000 " |
| Commonwealth Pier No. 5: | | |
| Building | 3,060,000.00 | 421,200 " |
| Pier Solid Portion | 1,207,000.00 | 345,00 " |
| Pier & Platform | 438,000.00 | 135,000 " |
| Commonwealth Pier No. 6: | | |
| Pier Solid | 720,000.00 | 360,000 " |
| EAST BOSTON | | |
| Commonwealth Pier No. 1: | | |
| Pile Pier | 112,000.00 | 64,795 " |
| Buildings | 62,000.00 | 56,000 " |
| | <u>\$5,896,500.00</u> | <u>1,621,825 Feet</u> |

* Total unoccupied office space in Commonwealth Pier No. 5 building—7,403 square feet.

LAND OWNED BY PORT AUTHORITY

| LOCATION | ARBITRARY VALUE ASSESSED VALUATION | AREA IN SQUARE FEET | LAND OCCU- PIED BY LEASE OR PERMIT | UNOC- CUPIED LAND |
|---|--|---------------------------|--|-------------------------|
| South Boston (Comm. Pier 5): | | | | |
| Docks | \$ 924,000.00 | 420,000 | 420,000* | None |
| South Boston (Comm. Pier 6): | | | | |
| Docks | 593,250.00 | 660,000 | 660,000 | None |
| Land | 230,000.00 | 177,100 | 177,100 | None |
| South Boston (Land & R. R. Yard Flats): | | | | |
| Land | 9,104,900.00 | 3,200,530 | 2,133,053 | 1,067,477 |
| Flats | 66,000.00 | 355,728 | 355,728 | None |
| Castle Island: | | | | |
| Land | 2,700,000.00 | 3,332,340 | 3,332,340 | None |
| South Bay: | | | | |
| Land | 209,900.00 | 262,366 | 78,280 | 184,086 |
| Flats | 9,700.00 | 64,970 | — | 64,970 |
| Docks | 3,600.00 | 36,000 | — | 36,000 |
| East Boston: | | | | |
| Land | 459,800.00 | 65,340 | 65,340 | None |
| Docks (water adjacent to pier) | 396,500.00 | 340,936 | 340,936 | None |
| | <u>\$14,697,650.00</u> | <u>8,915,310</u> | <u>7,562,777</u> | <u>1,352,533</u> |

* Used by Commonwealth of Massachusetts

Remarks:

Excluding streets owned by Commonwealth of Massachusetts:

Total Comm. lands (pile & solid portions) is 7,957,471 square feet

Total Comm. lands (pile & solid portions) occupied 6,072, 620 square feet

Total Comm. lands (pile & solid portions) unoccupied 1,884,851 square feet

Commonwealth Pier 1, East Boston, permit to U. S. Navy for one dollar (\$1) for term of permit, docks pile pier & solid land 471,071 square feet

U. S. Navy South Boston Permit No. 4112, No. 4113 and No. 4159, total—405,585 square feet—no charge

Total Comm. docks—1,456,936 square feet

Total Comm. flats—420,698 square feet

Total Comm. flats, dock, land (pile & solid portion)—9,835,105 square feet

PUBLIC BEQUEST COMMISSION

It is noted that the total amount accumulated in this fund since September 1, 1929 is only \$3,386.79. Since no payments may be made from the fund until the principle amounts to \$500,000.00, it is apparent that unless contributions are increased to a far greater extent than those which have been received to date, there is little likelihood that the purpose for which the fund was created will ever be carried out.

SOLDIERS' HOME IN MASSACHUSETTS

Deceased Members' Funds: Included in Members' Personal Funds are balances of three deceased members totaling \$626.02. The funds belong to three patients; one having died in 1945 and the other two in 1947.

There is no legislation covering the handling or disposition of funds of deceased members, however, the institution has always been prompt in turning over cash balances to the heirs of deceased members. The funds of the patient who died in 1945 amounted to \$356.02. Some difficulty has been met inasmuch as the hospital has been unable to locate any relatives of the deceased.

Canteen: The records of the canteen operated at this institution were not audited as it is owned and operated by private interests. Members of the Home are employed there as clerks and receive compensation for their services. The

merchandise is apparently sold at retail market price. The canteen is of considerable size. It operates a refreshment counter as well as having stocks of candy, tobacco, toilet articles, jewelry, etc. The canteen is located in the smoking room of the administration building.

In this connection, it was noted that no rent is paid for the space occupied by this concession.

Purchase of X-ray Equipment: During recent years, this institution has been seriously handicapped by lack of sufficient X-ray equipment. For extensive X rays only one machine has been available, and if for any reason, this machine was not in operation, the institution has been compelled to rely on small portable machines, entirely inadequate for major X rays. The critical need for more equipment is demonstrated by the fact that veterans needing extensive chest and abdomen X rays have been required to wait from six weeks to two months. It is almost unnecessary to add that in many illnesses, immediately detectable by X ray, the speed with which the ailment is diagnosed can easily make the difference between life and death to the patient.

During the fiscal year 1946, funds were finally provided to the institution, and on June 12, 1946, the Purchasing Bureau contracted with the General Electric X-Ray Corporation to supply X-ray equipment at a cost of \$8,130.00. Funds in that amount were reserved by encumbrance on the institution's records, but because the equipment was not delivered before June 30, 1946, an obvious impossibility, this encumbrance was canceled in the 1946 appropriation by instructions of the Commission on Administration and Finance. The balance remaining in the 1946 maintenance appropriation was reverted. This action of the Commission was entirely incorrect, for an order to purchase this equipment had been placed with the vendor and it left the institution committed to the purchase without funds to meet the obligation. As a direct result of the Commission's action, to meet normal expenses it later became necessary for the institution to ask the General Electric X-Ray Corporation to delay deliveries of the equipment. Initial deliveries, therefore, were not received until June 24, 1947, and final delivery made to the institution on August 14, 1947, even though there still were no funds available.

As of the date of this audit, it was noted that the equipment was being held in the Receiving Room of the institution, fully crated, awaiting advice from the Commission on Administration and Finance. During all of the time between the cancellation of the original funds and the date of this audit, numerous letters had been written by the institution to the Budget Commissioner on this matter, and we were unable to find in the files of the institution any record that the Budget Commissioner had ever answered or even acknowledged receipt of any of these letters. Because of the obvious emergency, the Department of the State Auditor contacted the Comptroller's Bureau and the Budget Commissioner, and requested that immediate provision be made to pay for this equipment. We have been advised that on Friday, September 26, this equipment was finally placed in operation on the strength of a promise made by the Budget Commissioner that funds would be transferred from the other appropriations to the Repairs and Renewals section of the institution's funds to provide the funds to pay for the equipment.

There can be no reasonable explanation of the fact that red tape in the Commission on Administration and Finance should, in the first place, have permitted delay in the delivery of this vital equipment to the institution, and it is even worse that, despite the protests of the institution, the equipment once delivered, was permitted to lie around crated, with many veterans waiting weeks for essential diagnoses.

Funds to pay for this equipment were finally provided by the following letter:

COPY

THE COMMONWEALTH OF MASSACHUSETTS

COMMISSION ON
ADMINISTRATION AND FINANCE

State House, Boston

September 30, 1947

Lawrence F. Quigley, Commandant
Soldiers' Home in Massachusetts
Chelsea, Massachusetts

Dear Sir:

In reply to your letter of the 25th, I think that the proposed building of the concrete stairs should be stopped, and, instead of \$3,000 we should set aside \$500 to pay for costs incurred in connection with advertising bids and for the renewal of treads wherever necessary.

Thus there will be \$2,500 in the Repairs and Renewals account which can be used for the X-Ray Equipment, and, to make up the balance of \$5,630 necessary for the X-Ray, I am transferring that amount from the payroll to Repairs and Renewals.

It seems better not to rob the payroll account at the present time of the total required to pay for the X-Ray equipment.

Very truly yours,

WILLIAM H. BIXBY
Budget Commissioner

The action of the Budget Commissioner in authorizing transfer of funds has relieved the situation to the extent that the equipment is now in use, but the transfer of \$5,630.00 from the Personal Service appropriation to meet a deficit caused in the Repairs and Renewals appropriation in paying for this equipment, serves also to create a deficit in the Personal Service appropriation, and the institution is now compelled to reply upon the Budget Commissioner's promise that the next Legislature will make up this deficit.

The transfer of \$2,500.00 from an appropriation to build concrete stairs to replace the wooden stairs now used to reach the institution, eliminates an essential improvement. The present stairway is wooden, rickety and dangerous to use, and many near accidents have been reported.

This equipment should have been paid for by reinstating the funds authorized in the 1946 appropriation for the purchase of the equipment, which was reverted by arbitrary action of the Commission on Administration and Finance, or by a transfer from the Extraordinary Funds of the Governor.

We acknowledge the authority of the Budget Commissioner to authorize the transfer of excess funds from one appropriation to another, but in this case the Budget Commissioner has assumed the authority of the Legislature and has authorized expenditure of funds in excess of appropriations granted by the Legislature, and has canceled essential construction ordered by the Legislature.

STATE RACING COMMISSION

Unclaimed Tickets: The disposition of monies accruing from unclaimed tickets at horse and dog tracks operating within the Commonwealth is now

covered by Chapter 445 of the Acts of 1946 amending Chapter 128A of the Tercentenary Edition of the General Laws, by inserting after Section 5, a new Section 5A which became effective July 1, 1946 and reads as follows:

"Section 5A. No action to recover winnings upon a wager made under this chapter after the effective date of this section shall be commenced after December thirty-first of the year following the year in which such wager was made, and no such winnings shall be paid by a licensee after said date except pursuant to a judgment in an action so commenced or in settlement of such action. Within ninety days after said December thirty-first, money held by a licensee for the payment of any such wager for the recovery of which no action has been commenced within the time herein limited shall be paid over to and become a part of the receipts of the commission, and shall thereafter be paid into the state treasury. Any such money for the recovery of which an action has been duly commenced shall be so paid to the commission within ninety days after December thirty-first of the year in which such action shall have terminated adversely to the plaintiff therein. A notice of the limitation prescribed by this section, in such form as the commission shall prescribe shall be posted by each licensee in a conspicuous place at each window or booth where pari-mutuel tickets are sold."

Letters were sent out by the Massachusetts State Racing Commission to the various active racing associations operating within the Commonwealth, requesting them to report monthly the amount of money held on account of unpaid pari-mutuel tickets.

From the records available at the Racing Commission office and from the reports received for the various racing associations, the value of unpaid pari-mutuel tickets amounted to \$572,418.70. Under the legislation affecting unpaid pari-mutuel tickets, unpaid tickets sold prior to July 1, 1946 remain the property of the association by which they were issued. The following figures taken from the reports of the various associations, show the value of unpaid pari-mutuel tickets for the 1947 racing season:

DECEMBER 31, 1947

| | |
|---|--------------------|
| Revere Racing Association, Inc. | \$21,852.60 |
| Massasoit Greyhound Association, Inc. | 4,864.00 |
| Taunton Greyhound Association, Inc. | 6,524.00 |
| Bristol County Veterans Charitable Foundation | 912.50 |
| Eastern Racing Association, Inc. | 35,319.30 |
| Bay State Harness Horse Racing and Breeding Association, Inc. | 4,578.50 |
| Barrington Fair Association | 1,714.90 |
| Hampshire, Franklin and Hampden Agricultural Society | 1,466.20 |
| Marshfield Agricultural and Horticultural Society | 615.90 |
| Brockton Agricultural Society | 484.40 |
| Weymouth Agricultural and Industrial Society | 248.80 |
| Essex Agricultural Society | 173.00 |
| Middleboro Agricultural Society | 173.40 |
| | <u>\$78,927.50</u> |

The potential income to the State from July 1, 1946 to December 31, 1946 as shown in the previous audit report totaled \$68,564.60. Through the cashing of unpaid tickets prior to December 31, 1947 this amount was reduced to \$56,198.00 which amount has been turned over to the Commission and forwarded to the State Treasurer in February and March 1948. (See Schedule IV.)

Unpaid pari-mutuel tickets are under a continuous audit by the Commission's accountants until turned over to the State.

Refund of Monies Wagered: The report of the previous audit called attention to a refund made by Wonderland Park, Revere, in the amount of

\$8,443.00 and which was deducted from the pools. The Commission claimed that the following amounts were due it:

| | |
|--------------------------------------|-------------------|
| Commission | \$ 759.87 |
| Underpayment to the Public | 7,066.40 |
| Breakage | 12.86 |
| | <hr/> |
| | <u>\$7,839.13</u> |

This could not be agreed to by the Revere Racing Association so the matter was referred to the Attorney General for a decision. In this connection, the Attorney General has since ruled as follows:

"It appears from the papers which you have submitted to me that there is no dispute as to your right to collect \$759.87 for commission plus \$12.86 for breakage. I am not aware of any right which you have to collect any other sums."

The above sums were collected and turned over to the State Treasurer.

STATE SUPERINTENDENT OF BUILDINGS

Power Plant Improvements: In 1941, appropriations were made of \$107,000.00 for power plant improvements, and \$5,400.00 for heating and ventilating improvements, in the Superintendent of Buildings' Department.

Edward C. Brown Co., Consulting Engineers, 77 Summer Street, Boston, was hired to draw up plans and specifications, at an agreed price of "6% of the cost of the work done under Brown & Co.'s supervision, plus reasonable and necessary expenses."

Due to the war-time lack of materials, the work had to be abandoned. At the time of the cessation of the work, two items, namely, a boiler-house roof (\$17,116.00) and a booster pump (\$990.00) had been completed and Brown Company were paid what was due them on that portion of the work. Later Brown Company refused an offer of settlement in full, claiming that the Commonwealth still owed them \$3,297.15 and began suit against the Commonwealth for that amount. The court's decision was in favor of the Plaintiff, in the amount of \$1,207.91, which was paid to Brown Company, closing the matter on February 19, 1947.

SECRETARY OF THE COMMONWEALTH

UNRECORDED RECEIPTS IN THE DIVISION OF VITAL STATISTICS

Previous audit reports commented on the method of handling suspense items in this Division and recommended that the Comptroller's Bureau institute a better process for handling items of this nature. These items are caused through the inability to issue at once the certificate desired because of lack of sufficient information, etc. On the date of audit there was \$19.75 in this fund.

General Court Manuals: Section 11 of Chapter 5 of the Tercentenary Edition of the General Laws, as amended to the close of 1947 provides for the printing and distribution of a manual for the General Court. Under the statute not more than 10,500 copies are to be printed in every odd-numbered year, and any balance remaining after distribution to certain specified personnel may be sold by the State Secretary to the general public at cost.

The present practice is for the clerk in charge of the Public Document Division to estimate the number of manuals which will not be distributed and

to offer them for sale at \$1.00 each. This estimate may be revised from time to time as a larger number of free copies may be requested by those persons entitled to them than was at first anticipated. The funds derived from the sale of the manuals to the general public are turned over to the State Treasure. However, since there is no time limit placed upon the free distribution, the number available for sale cannot be definitely known, nor can the number of manuals sold be verified.

TREASURER AND RECEIVER-GENERAL

Veterans' Services Fund: Schedule No. XII, included in this report, presents a detailed statement of receipts and disbursements in the Veterans' Services Fund.

Income to this fund is derived from—

- I Cigarette Tax — provided by Section 9 of Chapter 731 of the Acts of 1945. This tax has been set up for an indefinite period.
- II Alcoholic Beverages Tax — provided by Section 11 of Chapter 731 of the Acts of 1945. This tax has been set up for an indefinite period.
- III Corporation Tax — provided by Section 10 of Chapter 731 of the Acts of 1945. The income from this source was provided only for the tax year of 1946.
- IV Corporation Tax — provided by Section 10A of Chapter 581 of the Acts of 1946. This tax will be collected for the tax years of 1947, 1948, 1949 and 1950.

In anticipation of income from these sources, immediate funds were provided for payment of bonuses by temporary notes borrowing \$50,000,000.00 issued under Section 7 of Chapter 581 of the Acts of 1946, which also provides that these notes shall be repaid no later than June 30, 1949. The State Treasurer was also authorized by Section 2 of Chapter 608 of the Acts of 1946 to borrow up to \$100,000,000.00 by serial bonds, repayable not earlier than July 1, 1949, and not later than June 30, 1956. Under this provision, \$25,000,000.00 was raised through a bond issue dated June 24, 1947, and \$50,000,000.00 through another issue dated September 26, 1947. Bonds for both of these issues carried an interest rate of $1\frac{1}{4}\%$.

Expenditures from the Veterans' Services Fund are limited by the following statutes:

- I Chapter 115 of the Tercentenary Edition of the General Laws—State and Military Aid, Soldiers' Relief, Etc.
- II Chapter 459 of the Acts of 1946—An Act Providing for the Issuance by the Commonwealth to Certain Persons, Who Served in the Armed Forces of the United States during World War II, of Citations of Certificates as to such Service.

- III Chapter 469 of the Acts of 1946—An Act Providing for the Issuance by the Commonwealth to Certain Heirs-at-Law of Persons, Who Died While Serving in the Armed Forces of the United States during World War II or as a Result of such Service, of Citations or Certificates as to such Service and Death.
- IV Chapter 581 of the Acts of 1946—An Act Further Providing Suitable Recognition of Certain Residents of Massachusetts Who Shall Have Served in the Armed Forces of the United States during World War II.
- V Chapter 731 of the Acts of 1945—An Act Providing Suitable Recognition of Those Residents of Massachusetts Who Shall Have Served in the Armed Forces of the United States during the Existing War.

To October 1, 1947, \$142,113,840.00 had been paid from the Veterans' Services Fund in the form of bonus payments, and an additional \$3,008,896.31 had been expended for other purposes incidental to veterans' services. As a result of extensive borrowing and income which exceeded original estimates, the balance available on date of audit amounted to \$38,353,469.67.

Examination of the budget recommendations of the Governor for the fiscal year 1949 includes on Page 7 of the printed budget proposal a recommendation that \$3,218,000.00 be transferred from the Veterans' Services Fund to the General Fund.

The propriety of this transfer is questioned, even though ostensibly the amount to be transferred is intended to replace expenditures from the General Fund during the years 1947 and 1948 for various services in connection with veterans. The proposed budget estimates a surplus in the amount of \$3,498,-479.16 in the General Fund at the end of the fiscal year 1949. Obviously the entire surplus is being artificially created by a transfer of veterans' funds, and such expenditures are not in keeping with the purposes under which the average taxpayer accepted the original taxes.

Bonus Division—Bank Account: As of date of audit, October 1, 1947, reconciliation of the World War II bonus account indicated that the checkbook balance on that date exceeded the bank balance by \$2,300.00. All checks issued from September 10, 1945 to October 1, 1947, inclusive, were examined and as a result of this examination, errors were located which reduced the variance to \$400.00.

In view of the fact that over 970,000 bonus checks have been issued the cost of locating this variance would be prohibitive. The difference probably lies in checks cleared by the bank, either lost or misplaced before reaching the Bookkeeping Unit of the Bonus Division.

Bonus Division—Outstanding Checks: Among the checks outstanding on October 1, 1947, was included \$10,200.00 in checks upon which payment had been stopped and subsequently replaced by checks bearing new serial numbers. There was also included as outstanding \$400.00 in canceled or voided checks. All of these checks have ceased to become liabilities of the Commonwealth, and it is recommended that they be removed from the list of outstanding checks and the total of \$10,600.00 involved be restored to the checkbook balance.

The following schedules show a reconciliation of the bonus bank account and include a detail of bookkeeping errors which should be adjusted, and a list of stop payment and voided checks to be added back to the checkbook balance:

BONUS DIVISION BANK ACCOUNT RECONCILIATION AFTER ADJUSTMENTS As of close of business October 1, 1947

| | | |
|--|---------------------|---------------------|
| Checkbook balance | \$229,649.36 | |
| Add: | | |
| Stop-payment carried as outstanding October 1, 1947 . . | 10,200.00 | |
| Voided checks carried as outstanding October 1, 1947 . . | 400.00 | |
| Bonus refunds erroneously recorded by Treasurer's Office as "Miscellaneous Receipts" during 1946 and deposited in the First National Bank, transferred to the bonus account December, 1947 | 700.00 | |
| | <u>\$240,949.36</u> | |
| Deduct: | | |
| Bookkeeping errors affecting the bonus bank account for period September 10, 1945 to October 1, 1947 | 2,000.00 | |
| Adjusted Checkbook balance October 1, 1947 | | <u>\$238,949.36</u> |
| Balance per bank statement—National Shawmut | \$806,947.83 | |
| Add: | | |
| Bonus refunds approved to 1946—credited in December, 1947 | 700.00 | |
| Protest fee not deducted on the books | 1.53 | |
| | <u>\$807,649.36</u> | |
| Deduct: | | |
| Outstanding checks as follows: | | |
| Original total per Bonus Division | \$579,800.00 | |
| Less: | | |
| One B check cashed by National Shawmut but lost enroute to the Bonus Division Office | \$ 200.00 | |
| Stop payment checks included in original list of outstanding checks | 10,200.00 | |
| Voided checks included in original list of outstanding checks | 400.00 | |
| | <u>10,800.00</u> | |
| Outstanding checks after deducting stop payment checks, voided checks and one lost check | \$569,000.00 | |
| Add: | | |
| One original check inadvertently omitted from original attached list (#197714) by Bonus Division | 100.00 | |
| Balance of cash in account in National Shawmut Bank . . | | <u>\$238,549.36</u> |
| Excess of checkbook balance over cash account October 1, 1947 | | 400.00 |
| | | <u>\$238,949.36</u> |

LIST OF BOOKKEEPING ERRORS AFFECTING THE BONUS BANK ACCOUNT For the Period September 10, 1945 to October 1, 1947

| | CASH RECEIPTS (DEBITS) | CASH DISBURSEMENTS (CREDITS) |
|--|------------------------------|------------------------------------|
| Original or duplicate checks bearing the same serial number issued and paid by the bank but only the original checks recorded on books | | |
| C-18251 | — | \$ 300.00 |
| C-21497 | — | 300.00 |
| C-26189 | — | 300.00 |
| B-229462 | — | 200.00 |
| 256576 (first bonus) | — | 100.00 |
| (The above three "C" checks were forgeries—restitution made to Bonus Division in all of the above cases.) | | |
| Original checks paid by bank subsequently voided by the Treasurer's Office in error. They were recorded in "Cash Receipts" column as "Cancelled Checks" on November 7, 1946 | | |
| A-9458 | — | 100.00 |
| A-9463 | — | 100.00 |
| A-11526 | — | 100.00 |
| Receipts voucher recorded twice in "Cash Receipts" column, January 28, 1947 and July 16, 1947 | | |
| C-19142 | — | 300.00 |
| Original check voided by Treasurer's Office. It was recorded in "Cash Receipts" column as a "Voided Check" on October 8, 1946, notwithstanding the fact that it was never recorded in the "Check" column as having been issued | | |
| 458755 (first bonus) | — | 100.00 |
| Voided checks recorded twice in "Cash Receipts" column | | |
| B-117857 (September 25, 1946 and November 13, 1946) . . | — | 200.00 |
| B-359501 (February 26, 1947 and May 20, 1947) | — | 200.00 |
| A-101067 (October 8, 1946 and November 13, 1946) . . | — | 100.00 |
| Voided checks never recorded in "Cash Receipts" column . . | | |
| B-229979 | \$200.00 | — |
| A-54375 | 100.00 | — |
| Letter from National Shawmut Bank crediting bonus account never recorded in "Cash Receipts" column, April 3, 1946 . . | | |
| 256576 (first bonus) | 100.00 | — |
| Totals | <u>\$400.00</u> | <u>\$2,400.00</u> |

LIST OF STOP PAYMENT CHECKS SUBSEQUENTLY REPLACED BY CHECKS BEARING
A DIFFERENT SERIAL NUMBER STILL CARRIED ON THE RECORDS AS OUTSTANDING

As of October 1, 1947

| ORIGINAL SERIES \$100.00 | "A" SERIES \$100.00 | "B" SERIES \$200.00 | "C" SERIES \$300.00 | CASH RECEIPTS COLUMN |
|---|---------------------------|---------------------------|---------------------------|----------------------------|
| ※ 31713 | ※ 3067 | ※ 25370 | ※ 6424 | |
| 52362* | 3068 | 63123 | 9252 | |
| 65405 | 7981 | 66455 | 17599 | |
| 76985 | 29175 | 70151 | 19687 | |
| 97000 | 37079 | 89589 | 28160 | |
| 108995 | 38777 | 135696 | 30730 | |
| 161110 | 38805 | 206868 | 33377 | |
| 388604 | 54897 | 265840 | 34385 | |
| | 76662 | 273294 | 36525 | |
| | 92816 | 304591 | 36984 | |
| | 100285** | 350452 | 37042 | |
| | 100512 | 359863 | 37721 | |
| | 101448 | 360076 | 38434 | |
| | 103332 | 360600 | 40311 | |
| | | 361754 | 41187 | |
| | | 363766 | 42722 | |
| (8) | (14) | (16) | (16) | |
| (8) Original | Series @ \$100.00 | | | \$ 800.00 |
| (14) "A" | Series @ 100.00 | | | 1,400.00 |
| (16) "B" | Series @ 200.00 | | | 3,200.00 |
| (16) "C" | Series @ 300.00 | | | 4,800.00 |
| * Check #52362 was stopped for payment because the veteran's claim was disallowed. No other check was issued. | | | | |
| ** Check #100285 was stopped for payment because the Braintree Savings Bank cashed the check for veteran but lost the check which was enroute to the National Shawmut Bank to be charged to the bonus account. The loss to the savings bank was covered apparently by its own insurance. No other check issued. | | | | |
| List of voided checks carried on the records as outstanding checks as of October 1, 1947: | | | | |
| B-19998 | . | . | . | \$ 200.00 |
| B-219998 | . | . | . | 200.00 |
| Total | . | . | . | <u>\$10,600.00</u> |

Bonus Division—Overpayments: A limited test was made of bonus payments, and it was noted that in twenty-one cases overpayments had been made. A list of these cases totaling \$2,500.00 was given to the Bonus Division, and it is suggested that all payments be verified similarly to determine other overpayments.

Bonus Division—Refunds: A list of refunds resulting from overpayments has been maintained by the Bonus Division, and on December 15, 1947, the money involved totaled \$4,210.00. It is recommended that a receivables ledger be set up to contain a ledger account for every individual owing money to the Commonwealth as a result of bonus overpayments.

Bonus Division—Duplicate Checks: On October 1, 1947, there was on hand in the Bonus Division an inventory of 60,023 blank duplicate World War II bonus checks, none of which are serially numbered. In view of the fact that less than 5,000 duplicate checks have been issued by the Bonus Division, and in consideration of the fact that since duplicate checks are not serially numbered physical control over these checks must be constantly maintained, it is recommended that this inventory be reduced to an absolute minimum. It should not be necessary to retain more than 2,500 of these blank checks.

Millville Municipal Finance Loan: The previous audit report stated:

"On October 1, 1946 there was a balance of \$706.01 in the Millville Municipal Finance Loan, Income Account. This balance represents the excess of the interest charged Millville over the amount paid by the Commonwealth. It is understood that the Representative from Mill-

ville will introduce a bill in the 1947 session of the legislature to authorize the State Treasurer to refund this money to the Town of Millville.

Chapter 26 of the Resolves of 1947 authorized the payment, subject to appropriation, of this amount to the Town of Millville. Item 2820-03 of Chapter 685 of the Acts of 1947 included money for this purpose, and the amount of \$706.01 was paid to the Town on December 29, 1947.

Metropolitan South Sewerage System Loan Fund, Sinking Fund Surplus: It was noted that there was a surplus of \$357,753.72 in the South Sewerage System Loan Sinking Fund Account. The bonds were paid January 1, 1946, and question was raised as to the disposal of the surplus. It was understood from an official in the Treasurer's Office that this is a matter for the Legislature to determine.

Closed Banks: The previous audit report stated:

"The Commonwealth received 180 shares of capital stock in the Merrimac National Bank, certificate No. 270 at \$13.33 per share valued at \$2,399.40 for a portion of the balance in the Haverhill Trust Company at the time the affairs of the Haverhill Trust Company were taken over by the Merrimac National Bank. This capital stock which had a value of around \$8.00 a share was brought on the books at a nominal value of \$1.00. It is understood that eventually this stock will be sold so the actual loss to the Commonwealth through the closing of certain banks will be \$1,137,790.26, previously mentioned, less whatever is realized when this capital stock is sold."

It was noted that this stock was sold April 16, 1947, for \$1,979.00, which was credited to general revenue thus making the actual loss to Commonwealth \$1,135,811.26.

MASSACHUSETTS PUBLIC BUILDINGS COMMISSION

Bookkeeping: It was noted that there was no general ledger in use at the Massachusetts Public Buildings Commission, nor are monthly financial reports compiled.

The bookkeeping records are kept in a loose-leaf binder, showing the breakdown of the maintenance appropriation.

It is recommended that the Comptroller's Bureau install a suitable book-keeping system for this Commission.

STATE BOARD OF RETIREMENT

Accounts of Former Members and Accounts of Deceased Members: It was noted that as of December 31, 1947, these accounts totaled as follows:

| | NUMBER OF ACCOUNTS | AMOUNT |
|----------------------------|-----------------------|-------------------|
| Former Members | 417 | \$33,613.68 |
| Deceased Members | 24 | 8,051.01 |
| | <hr/> 441 | <hr/> \$41,664.69 |

It was understood that the Retirement Board had made every effort to locate the former members and the heirs of the deceased members, but without success. It is suggested that if permissible under the statutes, the funds relating to these accounts over 10 years old be reverted to general revenue.

An analysis of the accounts follows:

ACCOUNTS OF FORMER MEMBERS

December 31, 1947

| YEAR LEFT SERVICE | NUMBER OF MEMBERS | AMOUNT | YEAR LEFT SERVICE | NUMBER | AMOUNT |
|----------------------|----------------------|----------|----------------------|--------|-------------|
| 1913 | 8 | \$ 74.59 | 1931 | 8 | \$ 705.42 |
| 1914 | 13 | 54.28 | 1932 | 1 | .77 |
| 1915 | 9 | 28.64 | 1933 | 1 | 7.04 |
| 1916 | 27 | 264.91 | 1934 | 1 | 1.28 |
| 1917 | 14 | 147.96 | 1935 | 1 | 4.58 |
| 1918 | 17 | 132.90 | 1936 | 1 | 6.29 |
| 1919 | 15 | 258.18 | 1938 | 5 | 19.05 |
| 1920 | 20 | 131.56 | 1939 | 2 | 11.89 |
| 1921 | 38 | 418.39 | 1940 | 8 | 1,484.51 |
| 1922 | 23 | 129.99 | 1941 | 3 | 43.70 |
| 1923 | 14 | 114.61 | 1942 | 11 | 3,587.02 |
| 1924 | 12 | 113.49 | 1943 | 34 | 5,230.85 |
| 1925 | 12 | 93.18 | 1944 | 42 | 8,012.36 |
| 1926 | 7 | 31.73 | 1945 | 19 | 5,329.49 |
| 1927 | 12 | 121.73 | 1946 | 18 | 1,874.78 |
| 1928 | 3 | 7.33 | 1947 | 13 | 4,167.64 |
| 1930 | 5 | 1,003.54 | | | |
| | | | | 417 | \$33,613.68 |

ACCOUNTS OF DECEASED MEMBERS

| YEAR OF DEATH | NUMBER OF MEMBERS | AMOUNT |
|---------------|-------------------|------------|
| 1932 | 3 | \$ 23.93 |
| 1936 | 1 | 85.38 |
| 1938 | 1 | 7.83 |
| 1940 | 2 | 51.76 |
| 1941 | 1 | 6.54 |
| 1942 | 2 | 1,252.16 |
| 1944 | 2 | 42.49 |
| 1945 | 2 | 247.61 |
| 1946 | 3 | 60.09 |
| 1947 | 7 | 6,273.22 |
| | 24 | \$8,051.01 |

Annual Report of 1947: Paragraph 2e, Section 23 of Chapter 658 of the Acts of 1945 requires the board to file annual reports with the Commissioner of Insurance and reads as follows:

"The board of such system shall annually, on or before March first, file in the office of the Commissioner of Insurance, on a form prescribed by him, a sworn statement of the financial condition of such system as of December thirty-first of the previous year and of all the financial transactions thereof during the previous year. The commissioner may for cause shown extend the time for filing any such statement."

It was noted that the annual report for the year ended December 31, 1947, was not filed with the Insurance Commissioner by March 1, 1948, but the Insurance Commissioner extended the time.

Members' Annual Statement of Account: It is the practice to send all members of the retirement association an annual statement showing the status of his account, as of close of business December 31, 1947. The reverse side of the notice contains a clause to the effect that if the member believes the amounts shown are incorrect, to notify the State Treasurer and the State Board of Retirement. It is requested that the State Auditor be added to those to be notified.

Military Leave of Absence Fund: Section 9 of Chapter 708 of the Acts of 1941 provides that when a person on military leave of absence returns to the State service, the Commonwealth shall at the time of reinstatement or as soon thereafter as an appropriation therefor is made pay into the annuity savings fund the amount which the person would have paid into said fund had his service in the Commonwealth not been interrupted by his said military or naval service, provided that any sum so paid by the Commonwealth shall be used only to provide an increased retirement allowance for the person on whose account such payment is made, and in case of his later separation from

the service, otherwise than by retirement, the said sum, together with interest thereon, shall be used to reduce the next ensuing appropriation for the payment of pensions.

The following statement shows an analysis of the Military Leave of Absence Fund:

MILITARY LEAVE OF ABSENCE FUND
To December 31, 1947

| | |
|---|---------------------|
| Earned credit of members while in Military Service and not yet retired | \$499,557.48 |
| Earned credit of members while in Military Service and who returned to the State Service and subsequently retired | 5,800.37 |
| | <u>\$505,357.85</u> |
| Received from the Commonwealth by Appropriation: | |
| 1946 year | \$100,000.00 |
| 1947 year | 150,000.00 |
| | <u>\$250,000.00</u> |
| Due from the Commonwealth | 255,357.85 |
| | <u>\$505,357.85</u> |

In addition to the \$250,000.00 actually received from the Commonwealth through December 31, 1947, Item 0604-05 of Chapter 219 of the Acts of 1947 appropriated \$150,000.00 for this purpose for the fiscal year ending June 30, 1948, but as yet nothing has been transferred from the appropriation account to the Annuity Fund Account. However, as \$137,500.00 has been allotted it would appear probable that at least this amount will be transferred before June 30, 1948.

This appropriation was made in accordance with Chapter 419 of the Acts of 1943 which provides that the Commonwealth shall appropriate annually "sums equal to not less than one-half the amount which would have been paid by members on military leave of absence referred to in said section nine had they remained in the service of the commonwealth."

It was noted, that under liabilities, two accounts are being carried, namely, "Members Returned from Military Leave of Absence" and "Members on Military Leave of Absence." Apparently it will be necessary to carry this liability as long as any members who had military leave of absence remain in the State service, consequently, it is suggested that the two accounts be combined in one account with a properly descriptive title.

ATTORNEY GENERAL

Accounts Referred for Collection: A so-called docket card is made out in the chief clerk's office for each account transferred to the Attorney General for collection. The docket cards are filed alphabetically under the name of the individual or concern who owes money. This is true of all accounts transferred to the Attorney General with the exception of cases transferred by the Department of Corporations and Taxation.

The accounts referred by the Department of Corporations and Taxation to the Attorney General for collection may be divided into two groups:

1. Delinquent taxes which the Income Tax Division sends to the Attorney General in the form of one docket card for each case.

2. A list of corporations who have failed to file the annual certificate of condition, which list is sent by the Commissioner of Corporations and Taxation. From this list the chief clerk writes up the individual docket cards.

If the Attorney General has been put to any expense, namely, the cost of serving the papers by a deputy sheriff, such costs are charged when the return is filed. The chief clerk does not accept the \$10.00 fee for filing the annual

certificate of condition, but makes certain that it is paid to the Secretary of State.

There appears to be no practical way that the Auditor can check the penalties and costs assessed by the Attorney General in connection with the filing of the certificates of condition.

The Attorney General uses his discretion as to whether suit shall be brought for the collection of the account, compromise the account or settle it without court action.

Several previous audit reports have stated:

"If it is desired to arrange the records in the office of the Attorney General so that the State Auditor may make a satisfactory audit of these accounts, several changes in the set-up are necessary.

"The mere checking of the receipts showing on the docket cards to the cash book kept by the chief clerk does not constitute an audit of the accounts.

"1. The so-called card docket file which is arranged alphabetically by the names of the persons owing money should be supplemented by a file arranged by State departments and institutions and under each State subdivision there should be a record of each individual or concern owing money to that particular department or institution, and it should be the duty of whoever has charge of this record periodically to verify it by correspondence with the several departments and institutions.

"2. All entries made in the above described file for accounts settled in any manner except by the payment of the amounts due should be supported by authorizations signed by the officials responsible.

"In addition to the changes in the records, it will also be necessary to establish some definite policy for the chief clerk to follow in handling delinquent certificates of condition."

To date none of the above recommendations have been carried out by the department.

Appropriations Deficiencies: Item 36-L of Chapter 495 of the Acts of 1939 provided \$25,000.00 for:

"For services and expenses of the attorney general in preparing and furnishing information for use by the commission appointed to study and investigate the service of the New York, New Haven and Hartford Railroad Company, \$25,000.00."

Against this appropriation the Department of the Attorney General passed for payment bills totaling \$24,900.52, which were charged against this appropriation in the following years:

| | |
|---|-------------|
| Expended in 1939 fiscal year | \$ 4,318.25 |
| Expended in 1940 fiscal year | 20,582.27 |
| | <hr/> |
| Unexpended balance of appropriation | \$24,900.52 |
| | 99.48 |
| | <hr/> |
| | \$25,000.00 |

In addition to the above bills there were outstanding invoices against this appropriation on April 3, 1943 amounting to \$4,448.72 which were reduced

by the following deficiency appropriations and adjustments to \$1,831.39 as follows:

| | |
|--|-------------------|
| Deficiency, April 3, 1943 | \$4,448.72 |
| Deduct: | |
| Deficiency appropriation, Chapter 513 of the Acts of 1943 | \$1,023.95 |
| Deficiency appropriation, Item 2899, Chapter 736 of the Acts of 1945 | 71.50 |
| Deficiency appropriation, Item 2899, Chapter 685 of the Acts of 1947 | 1,128.99 |
| Adjustments, Royal Typewriter Company | 72.00 |
| Adjustments, Attorney General's Department | 320.89 |
| | <u>2,617.33</u> |
| Deficiency as of September 2, 1947 | <u>\$1,831.39</u> |
| COMPTROLLER'S RECORDS | |
| Unexpended balance of appropriation | \$ 99.48 |
| Add: | |
| Refund of Charles W. Dow | 453.98 |
| | <u>\$553.46</u> |
| Encumbrance liquidated | 303.79 |
| | <u>\$249.67</u> |
| Reverted to General Surplus—June 30, 1947 | |
| Balance, September 2, 1947 | <u>—</u> |

On the date of the previous audit, January 13, 1947, there were other liabilities outstanding for which there were no available funds, as follows:

| | |
|---|------------------|
| 1940 Appropriations for Administration and Other Expenses: | |
| Deficiency as of March 6, 1945 | \$1,746.82 |
| Deficiency appropriation, Item 2899, Chapter 736 Acts of 1945 | 1,160.89 |
| | <u>\$ 585.93</u> |
| Adjustments: | |
| Add discount disallowed | 1.80 |
| | <u>587.73</u> |
| Less Royal Typewriter Co. | 171.00 |
| | <u>\$416.73</u> |
| Deficiency Balance, September 2, 1947 | <u>—</u> |

Advance Money: The reconciliation of the advance fund of \$1,500.00 on September 2, 1947 revealed that advances have been made to two employees who have since left the employ of the department but have not yet repaid advances made to them. The first employee left the department June, 1940, and the second employee left the department May 26, 1947. The advances amount to \$133.86.

Bonds: It was noted that the custodian of the advance fund was not bonded.

Boston Elevated Railway Company Declaratory Judgment Special Appropriation Account: Under Resolve 89 of the Acts of 1941 an initial appropriation of \$75,000.00 was granted to the Department of Public Utilities to cover the expenses of a proceeding for a judicial determination of certain powers and duties of the Trustees of the Boston Elevated Railway Company, and relative to jurisdiction of any such proceeding. Additional appropriations were granted under the Acts of 1945, 1946 and 1947 to carry out the purpose of this Resolve.

On June 19, 1947 the Governor of the Commonwealth signed the bill by which the Metropolitan Transit Authority assumed ownership of the Boston Elevated Railway Company, assets and liabilities. Any court proceedings which the Commonwealth had against the Boston Elevated Railway Company on June 19, 1947 ceased on that date since the Commonwealth was then committed the purchase of the Railway Company.

An examination of the special appropriation account to which the expenditures of the Boston Elevated Railway Company's declaratory judgment proceedings were proper charges disclosed that this special appropriation account was charged in July and August of 1947 with 50% of the salary of an Assistant Attorney General and his legal secretaries for legal services in connection with a bill in equity brought by the Trustees of the Boston Elevated Railway Company against the Metropolitan Transit Authority and others on July 2, 1947, asking for a declaratory judgment on question of alleged liability of the Metropolitan Transit Authority for the income tax on the capital gain, if

any, on the sale of the Boston Elevated to the Metropolitan Transit Authority. The expenditures to this account for July and August, 1947 are improper charges and are not within the scope of Resolve 89 of the Acts of 1941.

MILK CONTROL BOARD

Records Refused: One of the most important financial activities of the Milk Control Board is the collection of monthly assessments. Because of the refusal of the Board to submit to a proper audit of monthly assessments, it was impossible for this Department to determine whether the amount assessed was proper or whether such assessments had in every case been collected.

In this connection the previous audit report stated:

"Monthly assessments based upon the volume of milk handled by the dealer are required by law to be paid on or before the tenth day of each month for the month immediately preceding. These assessments are, in every sense, income of the Commonwealth, and the action of the Board in refusing to make the records, upon which income due the Commonwealth is based, available for audit, has made it impossible for this Department to verify the accuracy of the monthly charges. It was also noted that these payments are not set up in the general ledger of the Board until after payment is received."

It is recommended that these charges be set up in a general ledger accounts receivable account on the tenth of each month, even though it may be necessary in the case of delinquent accounts to set up estimated figures.

Estimated unpaid assessments as of February 17, 1948, covering the larger dealers totaled \$10,193.78, of which \$726.00 represented estimated unpaid assessments of 132 dealers who were in arrears on that date. One dealer, with an old account due, paid \$1,800.00 between audit date and March 10, 1948. This department was unable to verify the fact that the amounts reported were correct, or whether or not other unpaid assessments exist which were not reported.

The estimated unpaid assessments as of May 21, 1947 totaled \$18,361.10. During the audit period two assessment audit charges totaling \$4,251.56 were made. Cash collected amounted to \$9,839.80, audit credit adjustment was \$826.54, with a further credit allowance of \$848.54 after a full board hearing.

A summary of the estimated assessments due and unpaid as of February 17, 1948, is as follows:

| | |
|---|-------------|
| Old assessments with the Attorney General for collection | \$ 4,767.47 |
| Old assessments determined by audit, not referred to the Attorney General | 448.75 |
| Additional assessments as the result of audits completed since May 21, 1947 | 4,251.56 |
| Estimated assessments due from 132 other dealers in arrears as of Feb. 17, 1948 | 726.00 |
| | <hr/> |
| | \$10,193.78 |

Continued improvement is shown by the reduction in outstanding balances since the audit of May 21, 1947. The number of dealers showing estimated assessments due on February 17, 1948 has been reduced by over 50%. The Attorney General's office made no collections on the four dealers now with that office for settlement.

Assessment Refunds: Refunds made during the audit period were for overpaid assessments and totaled \$153.25.

DAIRY BOND SECTION

Collateral to be Returned: It was found that several bankbooks are being held in the Dairy Bond Section which have been foreclosed but which show

balances consisting mostly of interest. Inasmuch as the State apparently has no equity in these balances, it is suggested that steps be taken to return these bankbooks to their rightful owners and that the banks involved be notified of the releases of assignments.

Bond Coverage: Under Section 42B of Chapter 94 of the Tercentenary Edition of the General Laws, the dealer is required to file bond with the Commissioner. The amount of the bond—

“ . . . shall be substantially equivalent to the total purchase price, as determined by the commissioner, of milk and cream purchased by the applicant from Massachusetts producers in the average period between payments by him to producers. . . . ”

Section 42C of the same chapter authorizes the Commissioner, in the event that any dealers are default in their payments for milk to the producers, to—

“ . . . bring an action upon any bond given under the two preceding sections . . . and may sell any collateral deposited with him thereunder. He may apply the sum recovered in any such action, or the proceeds of the sale of any such mortgaged property or deposited collateral, or any cash deposited as security, toward the payment of any claim of producers. . . . ”

The status of dealer-producer position as to default of dealers in their payments for milk purchased from producers could not be determined since this Department has been refused access to the records of the Milk Control Board relating to dealer-producer activities.

Cash Collections a/c Income Exceed the Division's Maintenance Cost for Past Six Fiscal Periods: The following schedule, which was compiled from the Division's financial records, shows a comparison of cash collections on account of income with the Division's maintenance costs:

COMPARATIVE STATEMENT OF CASH COLLECTIONS ON ACCOUNT OF INCOME
WITH DIVISION'S MAINTENANCE COSTS

| Year | EXCESS OF INCOME OVER EXPENSES | | CASH RECEIPTS ACCOUNT OF | |
|-------|-----------------------------------|---|-----------------------------|----------------|
| | | | INCOME | MAINTENANCE |
| 1942 | . | . | \$ 188,577.70 | \$ 159,706.51 |
| 1943* | . | . | 130,115.11 | 90,852.62 |
| 1944 | . | . | 184,447.35 | 179,553.12 |
| 1945 | . | . | 191,729.73 | 187,587.29 |
| 1946 | . | . | 206,476.17 | 205,883.63† |
| 1947 | . | . | 254,312.49 | 254,183.82 |
| | | | \$77,891.56 | \$1,155,658.55 |
| | | | | \$1,077,766.99 |

* The 1943 fiscal period began December 1, 1942 and ended June 30, 1943.

† Does not include 1946 liabilities.

Changes Made in Assessment Rate: The schedule of assessment rates issued by official order of the Board and in effect on the date of audit, February 17, 1948, is set up as follows:

| FROM | THROUGH | AREA | PER CWT. |
|------------------|----------------------|---------------------|----------|
| February 1, 1947 | May 31, 1947 | 1-16 inclusive | .005 |
| February 1, 1947 | May 31, 1947 | 11AB, 17, 18 and 19 | .0034 |
| June 1, 1947 | Until Further Notice | 1-16 inclusive | .02 |
| June 1, 1947 | Until Further Notice | 11AB, 17, 18 and 19 | .0135 |

DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF BANKS

Recovery Funds: A reconciliation of a bank account maintained in the Division, covering undistributed dividends, as of November 10, 1947, indicated a balance in the amount of \$63,395.71, in the New England Trust Company. No dividends were paid during the current audit period, however, while the audit was in progress a supplemental final "Dividend No. 5" was made on November 17, 1947.

Proceeds of Liberty Bonds Held in Safekeeping: During the current audit period there was received and turned over to the State Treasurer \$4,172.43

which represents proceeds from the sale of various Liberty Loan Bonds and Coupons, the owners of which cannot be found.

Examination Made of Banking Institution: There were approximately 664 examinations of banking institutions made during the current audit period. It was noted that of 183 examinations made of co-operative banks, 180 showed an expense to the Commonwealth of approximately \$56,000.00. It was also noted that of 254 examinations made of credit unions, 241 showed an expense to the Commonwealth of \$22,026.69.

Bookkeeping Differences in the Cash Records: In connection with the current examination, a great deal of difficulty was experienced in connection with reconciling the various cash and analysis accounts with the actual cash on hand. The cases were all determined to have been occasioned by bookkeeping difficulties. These items included the following:

1. There was a balance of \$5,629.51 in the cash account as of December 1, 1946. The amount was determined by the audit to be \$2,237.31, a difference of \$3,392.20.
2. Reimbursement of schedules for the period December 1, 1946 to November 10, 1947 per cash book showed a total of \$45,928.19, whereas the amount was determined by the audit to be \$46,223.90, a difference of \$295.71.
3. The total amount of schedules for the period which appeared in the cash book was \$49,236.39, whereas, the amount was determined by the audit to be \$48,222.74, a difference of \$1,012.65.
4. On the date of the current audit the balance per cash book was \$10,321.31, whereas the amount was determined by the audit to be \$2,237.47, a difference of \$8,083.84.
5. On June 30, 1947, a balance of \$6,910.79 appeared in the cash account. This balance was closed out into the account "Advances by the State Treasurer," which is contrary to the accounting procedure as set forth in the Manual published by the Comptroller's Bureau.

It is recommended that the cash book be left open until all schedules have been reimbursed at the end of each fiscal year.

During the progress of the audit, all of the foregoing differences have been adjusted by the Comptroller's Bureau. The chief administrative clerk has been requested by the Comptroller's Bureau to furnish a corrected financial report for June 30, 1947, and for each subsequent month.

Closer attention to the required accounting practices would materially increase the value of the present records of the agency.

Accounts Receivable Ledger: The Division does not have an Accounts Receivable Ledger. A three column journal is being used where the charges, dates paid, and amounts paid are recorded. The clerk who types the bills, passes along to the clerk, who enters them in the journal, a memorandum of the bills sent on a 2" x 4" card.

It is recommended that an accounts receivable ledger be provided and a duplicate of the "Original" bill sent should be retained for the Department's own records.

Safekeeping of Valuables from Closed Banks: The Commissioner of Banks is holding, in locked file cabinets in Room 106, several thousand envelopes containing documents or articles found in various safe deposit boxes rented by persons whose addresses cannot now be located. The contents of these boxes have been removed and placed in envelopes by a notary public in accordance with the statutes, prior to being turned over to the Commissioner by the Director of Liquidations.

These envelopes in the main contain lapsed insurance policies, worthless stock certificates, outlawed promissory notes, and similar documents of no value

to the Commonwealth. The owners are still unknown and are unlikely to redeem, because of storage charges and locked-drilling charges that they must pay before taking their property.

In earlier similar cases the Commissioner has, after the lapse of six years, obtained permission of the Supreme Judicial Court to destroy these accumulated papers.

The Commissioner is obliged to hold these papers until after August 31, 1949, under the terms of General Laws, Chapter 167, Section 35a and Chapter 122 of the Acts of 1943.

DIVISION OF INSURANCE

Accounts Receivable: The accounts receivable control account contains an amount of \$34,300.50 as still outstanding. This charge was entered in February 1947 and represents the reimbursements due the Division for expenses incurred in examining city and town retirement systems. This amount should be cleared from the account in November, 1947, when the State and the cities and towns make their annual settlement.

Other accounts outstanding on date of audit and amounting to \$616.57 were paid, with the exception of one \$2.00 charge, during the progress of the audit.

Income: It was noted that the sum of \$4,422.84 representing a dividend on the now defunct Canton Mutual Liability Insurance Company was received by the State Treasurer on March 28, 1947, and was credited to the Division of Insurance as income. This income was reflected on the Division's books when the Comptroller issued the yearly closing entries for June 30, 1947.

DEPARTMENT OF CIVIL SERVICE AND REGISTRATION DIVISION OF CIVIL SERVICE

Professional and Consulting Services: It was noted that the sum of \$14,233.00 was expended during the fiscal year 1947 for professional and consulting services. These records were not examined because of the objection of the Director to submitting them for examination. His objection centered on the confidential nature of the services performed.

DIVISION OF REGISTRATION

Bonds: The head clerk of the division is now covered for \$1,000.00 by a blanket bond which also covers twenty-one other employees of the various boards in the division.

BOARD OF REGISTRATION OF ARCHITECTS

Applications on File: Section 44C of Chapter 696 of the Acts of 1941 states as follows:

"The board may make such rules or by-laws, not inconsistent with law, as it may deem necessary in the performance of its duties."

It is the present policy of the board to allow an applicant who has failed the written examination to take another examination without payment of an additional application fee. However, if the applicant has failed a second time then a new fee of \$25.00 must be paid to take another written examination. Once an applicant has taken either an oral or written examination the fee will not be returned.

There are 147 applications now pending of which 30 are allowed a second examination. The remainder are either awaiting appearance before the board or have had their applications disapproved. In the latter case the board notifies the applicant of such disapproval but retains the application in the pending file until the applicant requests a return of the fee. Upon receipt of such a request the fee is refunded by the board.

Fifty of the applications now pending have been in the files since 1943.

Unless they are reviewed and disposed of, a reduction in the pending file cannot be expected.

BOARD OF REGISTRATION IN EMBALMING AND FUNERAL DIRECTING

Examinations: At present a receipt taken from a serially numbered, duplicate copy, receipt form (the fee is not printed on the receipt) is given only to those paying fees in currency in the office. If fees are paid by check or are mailed in, no receipt is given. In this connection a previous audit report stated:

"It is advised that a receipt taken from a duplicate copy serially numbered receipt form be given to each person paying an examination fee — the fee to be printed on both the receipt and the stub."

As this recommendation has not been followed, attention is again called to it.

Duplicate Renewals: No fee is charged for a duplicate of a renewal license. Forms have been purchased marked "DUPLICATE NO FEE" one series for Embalmers' renewals, a second for Funeral Directors' renewals, and a third for the combination Embalmer and Funeral Directors' renewals.

In this connection a previous audit report stated:

"In connection with duplicate renewals, attention is called to Clause 3 of Section 88 of Chapter 112 of the General Laws, with the recommendation that the Attorney General be requested to render an opinion as to whether or not these duplicate renewals come within the provision of this section. Said Clause 3 reads as follows: '(3) issue a duplicate certificate or registration upon satisfactory evidence that the original certificate has been lost or destroyed, and the fee therefore shall be five dollars.'

"It is advised that the Attorney General be requested to rule as to whether or not duplicate renewals come within the provision of Section 88."

It was noted that under date of February 26, 1942, the Attorney General furnished an opinion to the Director of the Division of Registration in which it was stated:

"You have called my attention to such an issuance and I am of the opinion that the Board of Registration in Dentistry has implied authority in the indicated circumstances to issue the duplicate certificate and to charge therefor a nominal fee sufficient to cover the actual expenses involved."

In view of this opinion, it is recommended that this board charge fees for such duplicate renewals sufficient to cover the actual expenses involved.

BOARD OF REGISTRATION IN PHARMACY

Deficiency: Chapter 309 of the Acts of 1946 provided the sum of \$3,000.00 to be expended for Traveling Expenses under Appropriation Account #1407-03 for the fiscal year ended June 30, 1947. An examination of the records for the above period disclosed that the sum of \$3,375.02 was incurred for Traveling Expenses, thus resulting in a deficiency of \$375.02, which existed on March 16, 1948, the last day of the current audit period. An analysis of this Deficiency revealed that the sum of \$158.89 was incurred by reason of the Board attending the Massachusetts State Pharmaceutical Convention held June 15 to 18, 1947 and the balance was incurred in the course of routine duties.

BOARD OF REGISTRATION OF PROFESSIONAL ENGINEERS AND LAND SURVEYORS

Income: Income for the 1947 fiscal year was \$60,745.95 as compared with \$15,321.20 for the 1946 fiscal year. The large increase in 1947 income resulted from provisions of Section 4, Chapter 643, Acts of 1941. This section requires that any professional engineer or land surveyor shall be registered without oral or written examination, provided application is filed and fee paid within five (5)

years after the date of the first board meeting. The five year period expired January 7, 1947.

DEPARTMENT OF CONSERVATION

Advance Money: Sections 23 and 24 of Chapter 29 of the Tercentenary Edition of the General Laws reads as follows:

"Section 23. Any officer authorized to expend money in behalf of the commonwealth may have money advanced to him from the treasury for such purposes, in such sums and subject to such rules and regulations as the comptroller may determine.

"Section 24. Such officers shall certify that the amount is needed for immediate use, and, as specifically as may be, the purposes for which the expenditure is required. The certificate shall bear the approval of the officer or department having the supervision of such expenditure and, when filed with the comptroller, his certificate and the warrant and payment shall follow as in case of claims against the commonwealth."

It was noted that on May 3, 1948, the department had received a total of \$45,000.00 in advance money made up of 11 separate advances from that many appropriations, of which \$12,006.40 had been expended on account of those appropriations, but not yet reimbursed, in addition to which \$11,545.24 had been expended on account of 16 appropriations from which no advances had been secured. In view of said Sections 23 and 24 previously quoted, it would seem that payments from advance money should be confined to expenditures chargeable to those particular appropriations from which the advances had been made.

Receiving Records: The previous audit report stated:

"At present, the receiving records consist of the following—there is a so-called "Receivers Copy" for the State Purchase Bureau purchase orders and for departmental purchase orders, which are signed by the person receiving the merchandise, but for N.P.O. purchases the receipt of the merchandise is indicated by the signature of the person receiving the goods on the invoice itself.

"It is recommended that the Comptroller's Bureau be requested to provide the standard duplicate copy receiving book, which should be used in all places where merchandise is received."

As this recommendation has not been adopted, attention is again called to it.

Central Bookkeeping Office: The previous audit report stated:

"The practice now is for the central bookkeeping office to supply each division shortly after the close of each month with a statement showing the expenditures and balances under each appropriation. The expenditures are actually the bills passed for payment to the Comptroller's Bureau, and as the books are closed three or four days prior to the end of the month, the statement does not reflect the true status of the appropriation. It is recommended that the Comptroller's Bureau review this matter and provide for monthly expenditure statements to each division on the accrual basis, so that the balances shown will be the actual uncumbered balances available for expenditure.

The central bookkeeping office was established in 1940, and it is recommended that the Comptroller's Bureau review the entire bookkeeping set up of the department to determine whether some of the detail now being done in the central bookkeeping office is not being duplicated in the several divisions."

As these recommendations have not been followed attention is again called to them.

Marine Fisheries Division: Referring to the appropriations for payments to certain coastal cities and towns for propagation of shellfish and the suppression of enemies of shellfish, the previous audit report stated the method of

payment was changed in the 1947 fiscal year. Prior to that it was on a reimbursement basis, but in that year payments were made in advance to the coastal cities and towns and the previous audit report contained a suggestion that the Attorney General be requested to advise whether payments made in advance to the municipalities before the work was done is permissible.

It was noted that the 1948 supplementary appropriation act contained an item which struck out the word payment in the appropriations for this work and substituted the word reimbursement, so in the 1948 fiscal year, payments were not made in advance but after the work was done.

Certain Purchases at Wilbraham Game Farm: The previous audit report treated in considerable detail certain transactions between the Superintendent of this farm and a local grain store, whereby they would bill the Commonwealth for feed when actually other things were delivered. In connection with the checking of these transactions, the previous audit report noted that a check for \$105.74 was received by the department in May 1947, whereas apparently only \$3.74 was due as the difference, or \$102.00 had been received previously.

It was noted that the check for \$105.74 was returned to the grain company on October 23, 1947, and on the same date a check for \$3.74 was received from the grain company and remitted to the State Treasurer.

Inventory Record—Cordwood, Logs, Etc.: The previous audit report stated:

"A physical inventory of cordwood, logs and other types of cut wood was set up in book form. This record has not been kept up to date for the reason that monthly reports showing changes in inventories were not received from all the forest areas where such products were sold. It is suggested that this inventory record be brought up to date."

It was noted that on May 3, 1947, the records were still not up to date.

DEPARTMENT OF CORPORATIONS AND TAXATION

Accounts with Attorney General for Collection: The Collector of Taxes in the Department now has authority, in all types of taxes except Inheritance Taxes, to issue demands and warrants for the collection of taxes, consequently the only types of taxes now with the Attorney General for collection are Inheritance Tax cases. On May 17, 1948 there were 399 Inheritance Tax cases totaling \$118,861.05 with the Attorney General for collection which represent items billed from the year 1893 through the year 1945.

It was noted that statements of uncollected 1946 Inheritance Taxes had not yet been forwarded to the Attorney General as of May 17, 1948.

Records: For several years audit reports issued by this office have been continuously critical of the records maintained by this agency, with particular emphasis given to the accounts of the Income Tax Division.

Some progress can now be reported. Postings have been completed to November 30, 1947 in all twenty-five subsidiary ledgers, and trial balances are available in the fiduciary and miscellaneous ledgers as of the same date.

While this improvement can be reported, at the same time it must be further emphasized that the Income Tax Division is not equipped either with the personnel or the space to cope with its greatly expanded work, and the progress herein reported has been accomplished at the expense of the greatly overworked personnel. At one time this agency handled only 400,000 returns annually. Today the volume is tripled and the Division is struggling along without added working space and with a comparatively small increase in personnel.

Conditions over the last few years have made dependable audit impossible, and in addition, the agency is not giving proper service to the taxpayer.

It is recommended that a complete independent survey of the Income Tax Division be conducted—

1. To modernize the system
2. To provide adequate personnel

Verification Notices: Approximately a thousand verification notices were mailed out on the income tax accounts receivable. Answers were checked back in those instances where conflicts of information were indicated.

Corporate Franchise Tax Paid by Certain Public Service Corporations: Section 24 of Chapter 58 of the Tercentenary Edition of the General Laws, as amended by Section 23 of Chapter 254 of the Acts of 1933 reads as follows:

"Section 24. The corporate franchise tax paid by gas, electric light, gas and electric light and water companies shall be distributed, credited and paid to towns of the commonwealth or shall be retained by the commonwealth in the manner following: Such part of said tax paid by each of said corporations as is paid on account of shares of its stock owned by non-residents of Massachusetts shall be retained by the commonwealth. The remainder of such tax shall be distributed, credited and paid to the town of the commonwealth where the business of the corporation is carried on; and if any such corporation carries on its business in more than one such town, this part of the tax paid by it shall be distributed, credited and paid to such towns in proportion to the value of the works, structures, real estate, machinery, poles, underground conduits, wires and pipes of the corporation in each of them on January first, as determined from the returns or in any other manner."

Section 25 of Chapter 58 of the Tercentenary Edition of the General Laws as amended by Chapter 687 of the Acts of 1945 reads as follows:

"Section 25. The commissioner shall ascertain and determine the amount due to each town under sections twenty, twenty-four and twenty-four A of this chapter and the amount distributable under section ten of chapter sixty-four B, notify the treasurer of each town thereof specifying with respect to each of said sections twenty, twenty-four and twenty-four A the amount determined to be due to each town, or that no amount is due, as the case may be, and certify the amount as determined to the state treasurer, who shall thereupon pay the same. The commissioner in his discretion may from time to time within the twelve month period prescribed in said section twenty make partial distributions of taxes paid therein and distributable under the provisions of said section twenty withholding such sums as may to him seem proper to provide for refunds and abatements. Any decision made by the commissioner under section twenty-four or section twenty-four A shall be subject to appeal to the appellate tax board within thirty days after receiving notice of such decision."

Litigation relative to this tax having been determined adversely to the Commissioner, all distributions were made as of November 30, 1947.

Annual Transfer of \$1,500,000.00 from Income Tax Collections to General Revenue: It was noted that beginning with the 1935 year and through the 1945 year the sum of \$1,500,000.00 of income tax collections were paid over to the State Treasurer as Public Service Tax receipts and credited to general revenue. This transfer of income tax collections to general revenue was made under the provisions of Chapters 307 and 357 of the Acts of 1933. The pertinent sections of said chapters read as follows:

Section 9 of Chapter 307 of the Acts of 1933 as amended by Section 1 of Chapter 285 of the Acts of 1943 reads:

Section 9. Income received by any inhabitant of the Commonwealth during the years nineteen hundred and thirty-three, nineteen hundred

and thirty-four and nineteen hundred and thirty-five from dividends on shares in all corporations, joint stock companies and banking associations, organized under the laws of this commonwealth or under the laws of any state or nation, except co-operative banks, building and loan associations and credit unions chartered by the commonwealth and except savings and loan associations under the supervision of the commissioner of banks, and income received by any inhabitant of the commonwealth during the years nineteen hundred and thirty-six, nineteen hundred and thirty-seven, nineteen hundred and thirty-eight, nineteen hundred and thirty-nine, nineteen hundred and forty, nineteen hundred and forty-one, nineteen hundred and forty-two, nineteen hundred and forty-three, nineteen hundred and forty-four and nineteen hundred and forty-five from such dividends, other than stock dividends paid in new stock of the company issuing the same, shall be taxed at the rate of six per cent per annum. Inhabitant of the commonwealth shall include (a) estates and fiduciaries specified in sections nine, ten, thirteen and fourteen of chapter sixty-two of the General Laws, (b) partnerships specified in section seventeen of said chapter sixty-two, and (c) partnerships, associations or trusts, the beneficial interest in which is represented by transferable shares, specified in paragraphs entitled First, Second and Third of subsection (c) of section one of said chapter sixty-two. Except as otherwise provided in this section, the provisions of said chapter sixty-two shall apply to the taxation of income received by any such inhabitant during said years. Subsection (b) of section one of said chapter sixty-two shall not apply to income received during said years."

Section 4 of Chapter 357 of the Acts of 1943 reads:

"Section 4. Section eighteen of chapter fifty-eight of the General Laws shall not apply to any taxes upon dividends made taxable by this act and not heretofore taxable under said chapter sixty-two, which taxes shall be retained by the commonwealth; but said section eighteen shall continue to apply to taxes upon dividends taxable under this act which have heretofore been taxable under said chapter sixty-two. Notwithstanding the provisions of section eleven of chapter three hundred and seven of the acts of the current year, the proceeds of all taxes collected by the commonwealth under section nine of said chapter on dividends on shares in all corporations and joint stock companies organized under the laws of any state or nation other than this commonwealth, except banks which are subject to taxation under section two of chapter sixty-three of the General Laws, which dividends were made taxable by said section nine and were not taxable prior to the effective date of said chapter three hundred and seven, shall be retained by the commonwealth."

Section 9 of Chapter 307 of the Acts of 1933 discontinued the income tax exemptions provided in the last clause of Section 1 (b) of Chapter 62 of the Tercentenary Edition of the General Laws, which reads in parts as follows:

". . . and except such foreign corporations as are subject to a tax upon their franchises payable to the commonwealth under section fifty-eight of chapter sixty-three."

It was understood that the amount of \$1,500,000.00 was based on the amount of taxes paid prior to the 1933 year by a certain foreign telephone corporation, whose dividends became taxable on the passage of Chapter 307 of the Acts of 1933, which act was passed after the foreign telephone company in question discontinued the payment of a franchise tax.

Costs on Income Tax Collections: It was noted that the gross receipts of costs on income tax collections for the period from December 1, 1946 to November 30, 1947 amounted to \$842.30 which was credited to general revenue

and that the refunds of such costs amounting to \$13.15 was charged to interest refunds which are charged to the Income Tax Fund. The Income Tax Fund is the account from which distribution to the cities and towns is made. Reference is made to Section 18 of Chapter 58 of the Tercentenary Edition of the General Laws, which was revised by Chapter 350 of the Acts of 1933 and was amended by Chapter 405 of the Acts of 1936 and Chapter 451 of the Acts of 1939 and reads as follows:

"Section 18. Except as provided in section seven A of chapter sixty-two, the state treasurer shall, on or before April fifteen in each year, distribute the amounts of taxes on incomes under chapter sixty-two theretofore, collected by the commonwealth to the several cities and towns in proportion to the amounts of the last preceding state tax imposed upon them, and shall, on or before November twentieth in the same year, distribute to such cities and towns in the same proportion the balance of such taxes collected after said April fifteenth, after deducting a sum sufficient to reimburse the commonwealth for the expenses incurred in the collection and distribution of said income taxes and for such of said taxes as have been refunded under said chapter sixty-two or section twenty-seven of this chapter during said year, together with any interest of costs paid on account of refunds, which shall be retained by the commonwealth, and after deducting also a sufficient sum to be distributed under Part I of chapter seventy."

MASSACHUSETTS REFORMATORY

Canteen: It was noted that the several comments, made in a previous audit report, concerning the handling of the canteen accounts have largely been taken care of. One exception, namely, the entering of the cash on hand at the beginning and end of each month in the cash book was not done during the current audit period. Beginning with May 1948 it is understood these figures will appear in the cash book.

On the date of audit, May 6, 1948, a complete inventory of stock on hand indicated an overage difference of \$8.44 between the book and actual inventory. A shortage difference of \$386.00 existing from previous audits was adjusted by the institution during May, June and July 1947.

Unpunched tickets belonging to inmates who are no longer at the institution have been returned to Inmates' Fund Account and are being transferred to the State Treasurer in the near future.

It was noted that no federal old age tax or unemployment tax had been withheld or paid on the one civilian employee in the canteen. It is recommended that this matter be referred to the Comptroller for clarification and instructions.

Heat, Light and Power: Previous audit reports have recommended a review of the charges for heat, light and power supplied to the industries. Accordingly, it was noted a comprehensive survey of all elements entering into the charges was made by the institution during the past year.

This survey was transmitted to the Comptroller for his approval of change in rate to be charged the industries.

The Comptroller referred the survey to the Power Plant Supervisor of the Commission on Administration and Finance with the result that no reduction in rate was allowed. As a matter of fact, the Comptroller suggested that the charge made to industries be increased. No increased billing has yet been put into effect.

REFORMATORY FOR WOMEN

Indentures: The previous audit report stated:

"Inmates of this Reformatory for several years have been permitted to work in various private industries in direct competition with local

citizens, and have been paid wages below normal standards for such employment. This is a direct violation of Section 85 of Chapter 127 of the Tercentenary Edition of the General Laws, which limits such employment to 'domestic service'."

Despite the lengthy comments contained in the previous audit report, the same practices have continued. Attention is again directed to Section 85 of Chapter 127 of the Tercentenary Edition of the General Laws, which indicates the conditions under which prisoners may be indentured and it will be noted that the law limits such employment to domestic service. The section states in part:

"The commissioner may, with the consent of a woman serving a sentence in the reformatory for women or in a jail or house of correction, and with the consent of the county commissioners if she is in a jail or house of correction, contract to have her employed in domestic service for such term, not exceeding her term of imprisonment, and upon such conditions, as he considers proper with reference to her welfare and reformation"

During the period of audit, it was noted that prisoners had been employed in restaurants, laundries and manufacturing establishments.

The following tabulation indicates the total wages paid to prisoners for this work.

| TYPE OF BUSINESS | PERIOD COVERED | | | | NET WAGES |
|------------------|----------------|----------|-------------|-------------------|-------------------|
| Restaurant | March | 18, 1947 | to December | 1, 1947 | \$3,645.11 |
| Restaurant | November | 4, 1946 | to May | 9, 1947 | 1,598.58 |
| Laundry | August | 1, 1947 | to December | 1, 1947 | 1,759.35 |
| Manufacturing | December | 31, 1946 | to December | 1, 1947 | 806.12 |
| | | | | | <u>\$7,809.16</u> |

Restaurants, laundries and manufacturing concerns are operated by private persons for private profit. The violation of the law is obvious, and it is evident that the superintendent of the institution has been aware of his fact, since she herself introduced House Bill No. 1739 to the 1947 Legislature, an act which would have amended Section 85 of Chapter 127 by inserting after the word domestic the words "or other service", and thus legalized present practices of her institution. This amendment was defeated by the Legislature and this should have served as a clear mandate to the superintendent. Despite the action of the Legislature, the same illegal practices have continued.

Further attention is directed to Section 50 of Chapter 127 of the Tercentenary Edition of the General Laws, as amended by Section 15 of Chapter 344 of the Acts of 1941, which states as follows:

"Prisoners in the state prison, Massachusetts reformatory, reformatory for women, state prison colony, state farm or in any jail or house of correction, may be employed, in the custody of an officer, in caring for public lands and buildings; but no prisoner, except as provided in sections eighty-three and eighty-four, shall be employed outside of the precincts of the place of imprisonment in doing work of any kind for private persons."

There can be no mistaking of the intent of this section—the law forbids the employment of prisoners outside the limits of a prison in doing any kind of private work for private persons.

The superintendent has stated that the employment of prisoners by private industry has been done with the approval of the Commissioner of Correction. The superintendent must be aware of the fact that no individual has the power to authorize the breaking of the laws of the Commonwealth.

Indentures—Prison Industries: The previous audit report pointed out that as a result of prisoners working for private industry, the industries of the prison had been operated at a reduced rate. These industries normally supply

other State department and institutions with valuable clothing and bedding at greatly reduced costs. At the present time, other State institutions are compelled to buy these goods in the open market, at much higher prices. The financial loss to the Commonwealth, is obvious. No objections could be made if curtailment of the prison industries resulted from legal indenturing, but since the curtailment has resulted from illegal work for private industry in defiance of indenture laws, consideration must also be given to the fact that the State has suffered a financial loss through direct disregard of State laws.

Indentures—General: Authority to permit indentures was instituted for the purpose of rehabilitation. The courts of the Commonwealth establish the period of sentence for a violator, and legal releases in less than the time of sentence can be granted only by the Parole Board. In exercising this power the Parole Board is limited since a prisoner is required to serve a substantial part of a sentence before applying for parole. The following schedule indicates the minimum requirements for eligibility for parole:

Length of Sentence

| | |
|------------------------------|---|
| 5 years | After serving fourteen months of the sentence. (If a prisoner is committed within eight years of a prior sentence, she is not eligible to meet the Board until 20 months of the second sentence has expired.) |
| 2 years | After serving eleven months of the sentence. (If the prisoner is under twenty-one years of age, and without prior record, she may see the Board after serving six months.) |
| 1 year | After serving six months, the prisoner may be released by a Commissioner's permit. |
| Over 5 years but under life. | After serving one-half of the sentence, minus one month. |
| Minority (under 21) | May meet Parole Board at discretion of the research worker. |

Attention is directed to the fact that prisoners at this institution have been indentured in some cases to their own homes and families after a comparatively brief confinement at the prison. This practice thwarts the will of the courts and ignores the powers of the Parole Board. The following are examples of this practice:

A prisoner admitted on October 4, 1944 to serve a five year term was indentured to her own husband on November 14, 1944. This prisoner served only slightly more than one month of a five year term before returning to her own home.

Another prisoner entered the prison on January 6, 1945, sentenced to serve terms of five years and two years concurrently, met the Parole Board on October 9, 1945, and the Parole Board voted a postponement of her parole. One month later on November 10, 1945, this prisoner was indentured to her own father.

A prisoner entering the prison on October 4, 1944, to serve a five year term was indentured slightly more than a month later to a person bearing the same family name.

A prisoner entered the prison on May 24, 1947 to serve a term of five years was indentured within six months to her own husband.

Another prisoner entering the prison on February 12, 1944, to serve a five year term was indentured to her own father on November 17, 1944.

A prisoner entering the prison on June 20, 1947, to serve two two year concurrent sentences was indentured on January 9, 1948. Attention is directed to the fact that this prisoner was first sentenced in

1943, was paroled in 1944, was sentenced again in 1946, escaped in 1947, and returned to the prison on June 20, 1947.

Another prisoner admitted to the prison on May 28, 1945 to serve concurrent sentences of five years and two years was indentured on April 12, 1946 to her husband.

Examination of the prison records will indicate that many other prisoners have been released on indenture far in advance of the dates on which they would have become eligible to apply for parole.

Indentures—Wages: The previous audit report indicated that wages paid to inmates for work in private businesses was less than the normal wages paid for similar work. The wages paid to certain inmates by private businesses concerned were examined for a period of several months in the current audit period and it was noted that the wages paid, minus unexplained deductions indicated clearly that the amounts paid were far less than the employer would have been required to pay non-prisoners.

The following is an example of pay roll schedules as received from private business:

| WEEK ENDING | GROSS WAGES | DEDUCTIONS | NET WAGES PAID TO INMATES |
|--------------------------|-----------------|-----------------|------------------------------|
| March 18, 1947 | \$ 5.93 | \$ 3.44 | \$ 2.49 |
| | 5.25 | 4.07 | 1.18 |
| | 9.79 | 4.44 | 5.35 |
| | 3.29 | 2.76 | .53 |
| March 19, 1947 | 17.79 | 10.17 | 7.62 |
| | 13.12 | 5.03 | 8.09 |
| March 26, 1947 | 5.91 | 3.76 | 2.15 |
| | 8.86 | 3.88 | 4.98 |
| | 3.29 | 5.92 | (2.63) |
| | 8.89 | 6.14 | 2.75 |
| April 2, 1947 | 13.19 | 8.69 | 4.50 |
| | 5.91 | 2.04 | 3.87 |
| | 6.53 | 3.25 | 3.28 |
| | 8.04 | 3.80 | 4.24 |
| April 9, 1947 | 13.19 | 5.28 | 7.91 |
| | 5.91 | 3.03 | 2.88 |
| | 8.89 | 5.59 | 3.30 |
| | 8.89 | 6.88 | 2.01 |
| | 7.25 | 7.39 | (.14) |
| April 16, 1947 | 8.89 | 9.99 | (1.10) |
| April 23, 1947 | 13.19 | 13.19 | — |
| | 14.82 | 10.07 | 4.75 |
| May 2, 1947 | 16.48 | 11.78 | 4.70 |
| | 11.38 | 5.80 | 5.58 |
| | 14.82 | 10.08 | 4.74 |
| | 8.89 | 3.40 | 5.49 |
| May 7, 1947 | 8.86 | 6.12 | 2.74 |
| | 6.53 | 3.55 | 2.98 |
| | 8.89 | 8.89 | — |
| | 11.86 | 7.73 | 4.13 |
| | <u>\$284.53</u> | <u>\$186.16</u> | <u>\$98.37</u> |

In connection with the above deductions no detail was provided on either the pay roll submitted by the employer or any other records on file in the institution. The propriety of this private concern to deduct items not approved by the Superintendent or other responsible officials of the institution is questioned.

This practice has since been changed, and as a result of recommendations made to the institution authorities during this current audit, no deductions are now being made except for transportation, meals and taxes.

Indentures—Escapees: Forty inmates were listed on the records of the prison as of January 20, 1948, as escapees. It was noted that thirty-four of these escapees were on indenture at the time that they escaped.

Canteen—General: The previous audit report stated:

"The canteen and its funds have been badly mismanaged at this institution. Canteens generally are operated as a convenience for inmates and employees in the purchase of small inexpensive items, and profits from canteen operations are always used exclusively for the

general benefit of all inmates. The canteen funds at this institution have been used to make sizable payments to inmates, employees and outsiders, which were of benefit to no one except the person receiving the payment. In addition, these payments have been made at such an extravagant rate that the profits of the canteen have not been sufficient to meet expenditures. To cover these deficiencies, the Superintendent has arbitrarily assessed the private funds of various inmates to add to the funds of the canteen. Several thousand dollars have been collected from prisoners through these assessments, and while they have been described as voluntary contributions, it is obvious that a prisoner in a reformatory is in a very poor position to refuse to make such a contribution. . . ."

All of the practices commented upon unfavorably in the last audit report with regard to the operation of the canteen have since been corrected. The present canteen is extremely well operated, and no diversion of funds to private purposes was noted.

Inmates' Funds: An analysis of the balance in the inmates' fund on date of the current examination showed the following:

| | NUMBER OF ACCOUNTS | AMOUNT |
|----------------------------------|--------------------|-----------------|
| Released or Discharged | 30 | \$426.51 |
| Paroled | 32 | 229.71 |
| Transferred | 10 | 92.35 |
| Escaped | 6 | 58.34 |
| Died | 1 | 59.80 |
| Indentured | 8 | 105.39 |
| | <u>87</u> | <u>\$972.10</u> |

The above schedule represents money belonging to inmates no longer at the institution. A decrease was noted in the number of accounts in this category since the date of the previous audit.

Overdrafts due from former inmates totaled \$55.25 on date of the current examination as follows:

| | NUMBER OF ACCOUNTS | AMOUNT |
|----------------------------------|--------------------|----------------|
| Released or Discharged | 10 | \$23.66 |
| Paroled | 11 | 29.73 |
| Transferred | 1 | 1.86 |
| | <u>22</u> | <u>\$55.25</u> |

Accounts in this category also showed a decrease since the date of the previous audit.

It was understood that the institution treasurer is making every effort to close out this type of account. It is further understood that permission will be obtained to transfer funds to cover the overdrafts from the sundries account as recommended in the previous audit report.

Materials and Supplies: As of December 1, 1947, the date of audit, a test inventory of one hundred and ten items having the greatest dollar value was taken. On December 24, 1947, the materials and supplies stock ledger was finally brought to the inventory date and the physical count was verified with the book balances.

Of the one hundred and ten items inventoried, overages and shortages appeared in forty-two items. It was understood that the quarterly inventory of materials and supplies required by the Comptroller's Bureau had not been taken during the past year, and that adjustments had not been made to cover meat shrinkage during the year.

The delay in bringing the stock ledger to date resulted in much needless rechecking of physical counts, and the majority of errors were finally attributed to clerical errors.

It was also noted that the monthly financial report was delayed for weeks, pending receipt of materials and supplies figures.

Industries—Poultry Losses: The poultry industry at this institution showed a loss of \$6,574.44 for the twelve months ending June 30, 1947. The loss may be partly attributed to the fact that a shortage of grain necessitated the killing of practically all of the laying hens just prior to the close of the previous fiscal year, together with the fact that the inventory of hens and chickens, at the close of the fiscal year, is not represented in the financial records, hence the computation of the loss does not include the consideration of this inventory valuation.

Industries—Poultry Records: For the first five months of the current fiscal year, adjustments covering shortages of 7,165 eggs were made out of a production which totaled 232,907. Because of the inadequacy of the records available, it was not possible to determine whether this is an actual shortage or merely clerical errors in recording production, etc. It was also noted that more than \$30,000.00 worth of feed and mash was purchased during the fiscal year 1947, and only one account was maintained in the stock ledger to record their issue. No control is kept over issues and there is no record available to show that an inventory has ever been taken of the grain on hand. Each month the entire account is closed out and charged to egg production cost, regardless of whether the feed has been consumed or is on hand. Accurate monthly cost figures, therefore, are not available. However, the average available egg cost for the fiscal year 1947 was found to be 71¢ a dozen.

Industries—Purchase Discounts Lost: It was noted in the industries that in two instances purchase discounts were lost due to payments being made after the expiration of the discount date.

Since purchase discounts taken are a form of income to the Commonwealth, strict attention should be paid to discount terms and dates, so that such income will not be lost in the future.

Farm Adjustments: The 1947 farm was not examined due to the fact that the farm year coincides with the calendar year. The date of this audit was December 1, and the farm report was not prepared and is not due until February 15.

However, an examination of the adjustments requisition book, which contains the adjustments for both materials and supplies and farm products, disclosed the fact that two large adjustments were necessary to account for spoilage in squash and ensilage.

The deficiency in the squash account was 26,883 pounds at a total cost of \$537.66, and the spoiled ensilage amounted to 50,732 pounds valued at \$228.29, a combined loss of \$765.95.

On May 16, 1947, the steward requested the farmer to explain the shortage in the squash account, and received the following memo in reply:

"The squash was not used up as fast as estimated. The butternut squash (5 tons) spoiled in about three weeks, as the weather was very warm soon after it was stored.

"The hubbard squash kept very well until the later part of March and deteriorated very fast after that date and was completely spoiled in about two weeks."

Regarding the ensilage, the steward explained that it molded and was not fit for use, attributing this loss to the fact that the ensilage was not properly stored in the silo.

STATE FARM AT BRIDGEWATER

State Cash Shortage: A shortage of \$19.40 was noted in this account when the cash was balanced on July 1, 1947 (As the Inmates' Cash was over \$20.03, this results in a net overage of \$0.63).

The cash at this institution has been either over or short on the first day

of the past several audits. In accordance with suggestions made in previous audit reports, the cash (in all funds) is now being balanced daily.

Sales Book: It was learned that Sales Book Number 15993, reported missing at the time of the previous audit, had been used to record parcel post packages.

Farm Sales: It has been the practice at this institution to sell surplus vegetables to other institutions for less than the established farm price. This practice makes the verification of this income more difficult, and in reality, has the same effect as granting increases in appropriations to the institutions purchasing the vegetables. For example, if an institution is allowed \$500.00 in its budget for onions and is able to buy the same poundage requested in the budget for \$5.00, this would automatically have the same effect as increasing the budget by \$495.00, unless, of course, this amount is reverted. These sales were as follows:

| PRODUCT | POUNDS | VALUE AT FARM PRICE | SOLD FOR |
|------------------|---------------|---------------------|---------------|
| Onions | 4,080 | \$ 81.60 | \$1.00 |
| Onions | 3,200 | 64.00 | 1.00 |
| Onions | 2,980 | 59.60 | 1.00 |
| Onions | 2,000 | 40.00 | 1.00 |
| Onions | 4,060 | 81.20 | 1.00 |
| | <u>16,320</u> | <u>\$326.40</u> | <u>\$5.00</u> |

STATE PRISON

Maintenance Stores: The stores' records again appear to be in poor condition. Although recounts were taken on items showing large overages or shortages, there still remained differences that appeared excessive on certain items. Of the 82 items inventoried on January 27, 1948 it was noted that 38 items showed variations between the book figures and the actual inventory. The value of goods tested was \$15,102.99 and total shortages of \$396.10 or 2.60% were noted. Overages totaling \$313.56 were also noted amounting to 2.08%.

The previous audit report mentioned adjustments to stock ledgers not properly made. That method of procedure has been corrected during the period covered by the present audit. It was noted, however, that a complete explanation of each adjustment, made because of an overage or shortage, is missing. It is suggested that a complete explanation of each adjustment made should be on record.

Industries Moved to State Prison Colony: The previous audit report mentioned two more industries which were moved to the State Prison Colony at Norfolk, namely, Clothing and Shoe. Most of the raw materials, finished goods and machinery concerned were moved to State Prison Colony. There were on record at the State Prison on June 30, 1947, the following inventories of items which originally belonged to the Clothing Industry:

| | |
|-----------------------------------|-------------------|
| Raw Materials | \$2,581.70 |
| Finished Goods | 5,300.31 |
| Machinery and Equipment | 299.62 |
| | <u>\$8,181.63</u> |

No physical verification of the Clothing inventories remaining at the State Prison was made. According to information received from the Industries section, about 80% of the raw materials will be sold, but very little of the finished goods has any sales value. It is planned to transfer the Machinery and Equipment to the Underwear Department.

The items included in the list of Clothing Department inventories remaining at the State Prison should have been shipped to the State Prison Colony at the time of the Clothing Department transfer but it is understood that the articles included were refused by the State Prison Colony.

Industrial Fund—Transfer to General Revenue: A transfer of \$25,000.00

from the Industrial Fund to General Revenue was made as of May 30, 1947 by order of the Comptroller contained in a letter dated May 26, 1947.

Industrial Fund—Increased to \$300,000.00: On June 30, 1947 the Industrial Fund Account was credited in the amount of \$18,134.15 to establish the Fund at \$300,000.00. The charge was to the "Surplus of Deficit Account."

Industrial—Plate Shop—Overtime: In order to make delivery of the 1948 number plates on time the plate shop was obliged to run an overtime night shift. The additional cost entailed by the overtime is made up of the following:

| | | |
|------------------|--|-------------|
| Pay Roll | | \$10,818.55 |
| Employees' Meals | | 2,107.58 |
| Inmates' Meals | | 660.00 |
| | | <hr/> |
| | | \$13,586.13 |

Inmates' Wage Account: At the time of the closing of the Charlestown Trust Company there was due the inmates' wage fund \$15,510.92. The State Treasurer set up on his books, on receipt of proof of claim, the above amount. It is understood that this account is used to take care of payments from this fund until otherwise provided for. On January 27, 1948 the balance in this account was \$3,130.88 and is represented by cash in the bank of \$998.25 and \$2,132.63 credit in the State Treasurer's office. The method of handling this account is not considered good accounting procedure and it is again recommended that the Comptroller be requested to change the present system to facilitate the handling of payments from this fund.

Inmates' Wages: No distribution of excess profits was made during this audit period.

STATE PRISON COLONY

Maintenance Section Pay Roll: It is again reported that the maintenance pay roll has not been reconciled since February 1946. Three sales books, Nos. 4461, 4465 and 4474 could not be located; Nos. 4461 and 4465 were reported missing at the time of the previous audit.

Inventories: It is noted that there was an increase in the 1947 ratio of inventories to sales of 4.64% over 1946 and 20.89% over 1945. This can be attributed to increases in raw materials and finished goods for the Shoe and Clothing industries without corresponding increases in sales.

Profit from Operations: The overall profit for the industries for the fiscal year 1947 was 9.20% as compared with 16.15% for 1946.

This decrease in the percentage of profit is due to a small reduction in the total sales and substantial increases in the cost of raw materials, labor and general expenses. The Concrete, Metal, and Shoe industries operated at a loss and the Brush industry showed but a small profit.

It is understood that the losses in the Concrete and Metal industries are due to lack of material—the lack of wire mesh in the case of the former, and the lack of angle iron and sheet metal in the case of the latter.

Although the Shoe industry is now in a position to operate at normal capacity, the loss reflected in this industry is due to the lack of sales. It is understood that this is due to the sale of war surplus shoes by the Federal Government.

Inmates' Funds—Overdrafts: Attention is again called to the overdrafts existing in the Inmates' No. 1 account on account of inmates who are not now in the institution.

DEPARTMENT OF EDUCATION

Bookkeeping Records: The last audit report of the Department stated:

"Bookkeeping Records: Examination of the section of this report titled "Scope of Audit" will indicate that, except for the verification

of the *recorded* income, little of an auditing nature was accomplished during this examination."

The same statement still applies.

On date of audit, May 12, 1948, the general ledger had not been posted beyond December 1947, the accounts receivable ledger was posted only to January 1948. No bills for board of deaf and blind children had been sent out since January 1948, and financial reports have not been compiled since June 1947.

While a new cash book was installed on July 1, 1947, attention is directed to the fact that it is not being maintained in accordance with instructions issued by the Comptroller's Bureau.

Income: Since the date of the previous audit, the Comptroller's Bureau has made a survey of methods of accounting and it is hoped that in later audits many difficulties previously encountered will be eliminated. During the period covered by this audit, accounting for income was handled by three different methods, first the former ticket system, second, by simple receipts and third by a system of machine billings known as the fan fold system. Accounting for income during the third period was made impossible by the issuance of receipts in addition to fan fold tickets for the same items.

In the case of "H" tickets, many ticket allotments were not recorded, some were returned during the previous audit period as unused and others were used during this period with no corresponding book record being made.

In the instances of fan fold tickets issued in place of numbered receipts, it is suggested that the number of the receipt issued be shown on the fan fold ticket for accounting purposes.

Vocational Rehabilitation Reimbursements: The previous audit report recommended that some control be set up for the handling of supplies issued to various persons and reimbursements by these persons. A card file has now been put into use showing all supplies, books, tools, etc., given to persons under an agreement that they reimburse the department with prearranged terms. This system began with the 1947-1948 fiscal year.

Accounts Receivable: As of June 30, 1948 the accounts receivable was still unposted beyond December 1947, therefore it was impossible to prove the trial balance of these accounts. No billings have been made for the board of deaf and blind children. It is understood that these billings will be made as of June 30, 1948. The balance shown as of May 12, 1948 was \$5,001.60 which it is estimated will be increased about \$4,000.00 when the unposted charges are made.

TEACHERS' RETIREMENT BOARD

Annuity Reserve Fund: Subdivision 5 of Section 5A of Chapter 32 of the Tercentenary Edition of the General Laws, as inserted by Section 22 (2) (a) of Chapter 658 of the Acts of 1945 states:

"The annuity reserve fund of each system shall be the fund to which the accumulated total deductions of a member shall be transferred from his account in the annuity savings fund of the system when a retirement allowance becomes effective for him, and to which also shall be transferred at such time from the special fund for military service credit any amounts then standing to the credit of his account therein. . . ."

In addition to the members' deductions transferred from the Annuity Savings Fund, this fund is credited with two other types of credits, namely:

- 1 Interest
- 2 Loss Due from Commonwealth

Interest is credited to this fund at the end of the year for the earnings of

the investment of the fund under the heading Estimated Interest of the Annuity Reserve.

The loss due from the Commonwealth is credited to this fund by authority of Chapter 32 of the Tercentenary Edition of the General Laws as amended by Section 22 (2) (c) Chapter 658 of the Acts of 1945 which states:

"If the total amount credited to the annuity reserve fund of any system as of January first, nineteen hundred and forty-six, after the completion of all transfers of funds under the provisions of subdivision (2) of section twenty-seven, is less than the total amount of the annuity reserve determined for such system as of such date in accordance with the provisions of paragraph (b) of such subdivision, the deficiency shall be made up by including an amount equal thereto in the annual appropriation for the pension fund of such system for the fiscal year next following the determination of such annuity reserve, or, with the approval of the actuary, by instalments included in the annual appropriations for such pension fund over a period not exceeding the three fiscal years next following such determination. Upon the receipt of any amount so appropriated, the amount of such deficiency included therein shall be transferred from the pension fund to the annuity reserve fund of such system."

Loss Due from Commonwealth: On December 31, 1947 there was a total of \$430,849.52 in this account made up as follows:

| | |
|--|---------------------|
| Loss in Annuity Fund, Balance 1945 Year | \$196,177.82 |
| Loss in Annuity Fund, 1947 Year | 72,684.95 |
| Loss Due to Interest Deficiency, 1947 Year | 161,986.75 |
| | <u>\$430,849.52</u> |

It was noted that during the year the Comptroller's office had made a transfer in the amount of \$388,043.75 to cover one-third of the loss in the year 1945 and the loss for the 1946 year. It is also understood that the secretary already has included the sum of \$430,849.52 in his estimated budget for the 1948 fiscal year.

Interest Accrued on Investments: Interest Accrued on Investments, account for the year ending December 31, 1947 shows a balance of \$335,529.84, whereas the amount was determined by the audit to be \$336,259.00 or a difference of \$729.16.

Due from Commonwealth for Interest Credited in Excess of Interest Earned: Due from the Commonwealth for interest credited instead of interest earned for the year ending December 31, 1947 shows a balance of \$161,986.75, whereas the amount was determined by the audit to be \$161,257.59, a difference of \$729.16.

Disbursements Under Maintenance Appropriations: There has been a sharp increase in disbursements for personal services and sundry contingent expenses. This is due principally to the requirements of the new law which became effective on January 1, 1946. New forms were printed, additional employees were hired, and more office equipment was purchased. This was done in order to record all data and to maintain the proper records required by the new law. A further item of expense incurred for the year 1946 relates to the examination of all members retired for disability. It is now necessary that such members be examined by a panel of three registered physicians. Expenses have been increased by the fees paid for this service.

Deposits of Funds: Section 27 of Chapter 30 of the Tercentenary Edition of the General Laws, states as follows:

"Except as otherwise expressly provided, all fees or other money received on account of the commonwealth shall be paid daily into the treasury thereof, but if in the opinion of the commission on administration and finance and the state treasurer the interests of the commonwealth require, payments may be made weekly in accordance with such rules and regulations as the state treasurer may prescribe."

It is recommended that all receipts be forwarded daily to the State Treasurer. In this connection it was noted that on February 10, 1948, the date on which the current audit started there was on hand \$86,403.84 representing 231 checks, some of which were dated in December 1947.

General: The Teachers' Retirement Board does not have a general ledger, neither does it have a record of any journal entries. Three cash books are in use for recording cash receipts and disbursements, all disbursements are made by the State Treasurer's office. The only disbursements that are made by the Teachers' Retirement Board are deposits to the State Treasurer of contributions received. To take the place of general ledger, a card system is being used. No cross reference is recorded on cards.

It is suggested that the Comptroller's Bureau, in conjunction with the Division of Insurance, review the present bookkeeping system.

DIVISION OF THE BLIND

Accounts Receivable—Charges: All records of accounts receivable for the division are kept at the main office. All bills are sent out by the several agencies. The posting medium for charges to accounts receivable of the Cambridge Industries for Men is a duplicate copy of the original bill which is sent to the main office. Charges for Woolson House Industries and for the Salesroom are made from charge memo slips sent to the main office. Charges for the four local shops are made from shop tags sent to the Boston office. It is believed that Woolson House Industries, Salesroom and the four local shops should send duplicate copies of bills to the Boston office. This would eliminate the charge memo slips of Woolson House Industries and the Salesroom, but the four local shops should continue to send the shop tags to the Boston office. Local shop accounts receivable tags are sent in weekly and it is believed that duplicate bills sent to the main office promptly would enable the office to keep these accounts up to date. For example, at the Worcester office, the auditor listed \$170.05 of accounts receivable which were not received in Boston until December 1, 1947, although the amounts listed were for accounts due November 24, 1947.

Finished Goods Stock Ledger Control: In several of the previous audit reports it has been stated:

"As of September 1, 1937, the Comptroller's Bureau set up a materials and supplies account in the general ledger of the department controlling the raw materials section of the stock books. There is no account, however, which controls the finished goods on hand. It is therefore again advised that an account be set up in the general ledger to control finished goods, as a stock ledger without a control is of little value."

As this condition has not been changed it is once again brought to the attention of those concerned.

A physical inventory of finished goods is taken at the end of each fiscal year. Unit balances as shown by the physical inventory are carried forward on the stock sheets to the beginning of the new fiscal year. As there is no general ledger control account for finished goods, any differences between stock ledger figures and physical inventory figures do not appear as a division book record.

Federal Participation—General Administration: In accordance with the approved plan of Federal participation in the expense of general administration, aid to the blind, one-half of 5% of the salaries of the personnel in the bookkeeping department, is reimbursed by the Federal Government. The same percentage is applied to the expenses of rent and light. One-half of 50% of

telephone expense is reimbursed. The salaries of other members of the personnel are reimbursed by the Federal Government on the basis of 50% of the following percentages:

| | |
|-----------------------------------|------|
| Director | 20% |
| Secretary to the Director | 20% |
| Telephone Director | 50% |
| Senior Workers with Blind (6) | 100% |
| Guides to Blind Workers (3) | 100% |
| Senior Statistical Clerk (1) | 100% |
| Junior Clerk and Stenographer (1) | 100% |
| Junior Clerk and Typist | 10% |
| Worker with the Blind | * |

* Percentage varies according to time worked on Federal Aid. For months of July 1, August and September 1947 the percentage used for this worker was up to 16%.

Army and Navy Contracts: The Cambridge Industries for Men has contracts with the Quartermaster's Department for the manufacture of brooms and mops. The Woolson House Industries for Women is manufacturing pillow cases under contracts with the Navy Department.

MASSACHUSETTS MARITIME ACADEMY

General: The condition of the financial records at this Academy has grown progressively worse during the past few years, and has now reached a point where direct and vigorous action by the Commission on Administration and Finance is needed immediately if complete chaos is to be averted.

Examination of the records at the paymaster's office for the period under audit disclosed that the cash book was discontinued on August 15, 1947, and that the cash transactions thereafter were recorded in four different single entry cash memorandum books.

Receiving records at the Academy consist of a log book in which thousands of dollars worth of food and other items received weekly are recorded in terms of total number of boxes, crates, and cartons, and while these records supply little financial control, their value is completely eliminated by the fact that in some instances entries were entirely omitted.

All semblance of control over cadets' clothing was abandoned for the period from August 13, 1947 to December 31, 1947, and while on January 1, 1948, stock records were reactivated, all items were recorded at their sales value instead of their cost value, thus making it extremely difficult to reconcile the book inventory with the physical inventory.

No ledger accounts have been kept for cadets covering service fees due. As a result, it has been necessary for the Academy to dun disenrolled cadets for unpaid fees months after they had left the Academy.

No records were maintained of meals provided at the Officers' Mess, and it is impossible to properly account for the monies received from that source.

No controlling account was kept of the Cadets' Clothing Deposit ledger, and while numerous errors were made in the various ledger accounts, without this account they could not be detected.

The lack of the above vital bookkeeping records, together with criticisms which follow, clearly indicate a lack of sound bookkeeping procedures, further complicated by a demonstrated unfamiliarity with State statutes, State records, and Comptroller's rules and regulations.

Petty Cash Advances: The Maritime Academy has an advance fund of \$5,000.00 to be used for petty cash expenditures. On the date of the current examination, June 7, 1948, it was noted that advances totaling \$1,912.06 made in August, 1947, had not been recorded by the Academy officials, nor had they been reimbursed by the State Treasurer; and as a result, the entire advance fund ordinarily reimbursable to the State Treasurer as of the last day of the fiscal year was not returned to the State Treasurer when due, and, in addition, these expenditures still had not been reimbursed on September 20, 1948. It is

suggested that immediate steps be taken to bring these accounts up to date, in order that the advance money may be properly cleared.

Income Not Being Promptly Remitted to State Treasurer: An analysis of the Cadets' Clothing Deposit Account for the period under audit indicated that items were properly "Service Fees" and, therefore, State income payable by law only to the State Treasurer, had been deposited in a bank account maintained by the Academy for Clothing Deposits. Receipts from Service Fees totaled \$11,458.22, and while they were collected during the summer of 1947, only \$2,175.00 was turned over to the State Treasurer as income and \$500.00 was returned to disenrolled cadets. The balance of these funds, representing income of the Commonwealth, must be paid into the State Treasury in compliance with Section 27 of Chapter 30 of the Tercentenary Edition of the General Laws, which provides that State monies shall be paid into the State Treasury daily unless special permission has been granted to make such returns on a weekly basis. No such approval has been made to this Academy.

The obvious purpose of this intermingling of funds has been to provide additional working capital for the purchase of cadets' clothing items. The practice has to some extent offset bad management of the cadet clothing functions, since the ordinary legal capital for this purpose was exhausted by the maintenance of excessive inventories and large accounts receivable.

Clothing and Supplies Sold to Cadets at a Profit: Examination of the clothing accounts also disclosed that uniforms, supplies, etc., were sold to the cadets at a price in excess of cost, for the expressed purpose of providing a cushion to offset losses from obsolescence, shortages, etc. Under this practice, clothing transactions should show a profit, and it is worthy of comment that no such profits exist, in fact, available records indicate a shortage. The practice of making a profit on sales of necessary items to cadets is questioned, and it is suggested that the entire matter of merchandising cadets' uniforms, etc., be reviewed by proper officials.

Lack of Stock Records for Cadets' Clothing: As has been previously stated, stock records were not maintained from August 13, 1947 to December 31, 1947. While such records have since been set up, they are not adequate for efficient control. It is suggested that necessary records be installed for the proper maintenance of these accounts.

Bookkeeping Errors in the Cadets' Clothing Deposit Ledger: A test check of the entries made in the Cadets' Ledger during the audit period showed several bookkeeping errors. They ranged from charging one cadet's account for a forfeited graduation deposit previously deducted in another account, to failing to debit another cadet's account for a clothing deposit refunded to cadet. Many of the errors would have been discovered if a controlling account for the Cadets' Ledger was maintained as part of the bookkeeping system.

Obsolete Items in Cadets' Clothing Inventory: The Clothing Inventory on June 7, 1948, amounted to \$7,319.31 and included \$1,618.83 of obsolete clothing and \$72.80 of obsolete books.

Refunds Paid from State Income: During the period under audit, refunds of service fees totaling \$550.00 were made to disenrolled cadets, and of this amount only \$50.00 had been approved by the Board of Commissioners. A refund of \$100.00 was made to a cadet who had attended school for a period of 37 days, and, in addition, his graduation deposit of \$50.00 was refunded, while another cadet who had attended school for a period of 33 days was refunded but half of his service fee of \$50.00 and forfeited his graduation deposit of \$50.00 to the State. The differences in treatment is the direct result of allowing the Superintendent of the Academy to render a decision in one case and the Board of Commissioners pass judgment on the other case, and both rulings were made without the guidance of set regulations governing the financial policies of the school.

The adoption of a set of rules and regulations appears necessary if equality and uniform treatment is to be maintained.

Uncollected Income: An examination of the enrollment records and cash records indicated that on June 7, 1948, there were \$7,341.78 of overdue service fees unpaid as follows:

| | |
|---------------------------------|-------------------|
| Service Fees due March 18, 1946 | \$ 100.00 |
| Service Fees due March 18, 1947 | 110.00 |
| Service Fees due March 18, 1948 | 6,200.00 |
| Service Fees due July 28, 1947 | 931.78 |
| | <u>\$7,341.78</u> |

In January, 1948, the Board of Commissioners took cognizance of the above condition and instructed the Academy Superintendent to take immediate steps for the collection of overdue service fees.

Apparently the Board of Commissioners' instructions were not followed as the same indifference existed on the date of audit, since at that time there were no ledger accounts or control account to indicate the unpaid service fees due the State. It is suggested that ledger accounts be set up that will correctly and currently reflect the balance, if any, due for service fees or any other form of accrued income.

Balances of Clothing Fund Deposits Due to Cadets: An analysis of the balances appearing in the Cadets' Clothing Deposit ledger on June 7, 1948, follows:

| | CREDITS DUE TO CADETS | DEBITS DUE FROM CADETS |
|-------------------------------------|--------------------------|---------------------------|
| No Longer Attending the Academy: | | |
| Disenrolled—January to June, 1946 | \$ 63.72 | — |
| Disenrolled—July to December, 1946 | 129.51 | \$ 9.08 |
| Disenrolled—January to June, 1947 | 25.64 | — |
| Disenrolled—July to December, 1947 | 216.80 | — |
| Disenrolled—January to June 7, 1948 | 39.07 | 26.40 |
| Graduated—February 27, 1947 | 571.09 | — |
| Graduated—May 1, 1947 | 422.92 | — |
| | <u>\$1,468.75</u> | <u>\$ 35.48</u> |
| Cadets in Academy | 1,840.89 | 458.16 |
| Total | <u>\$3,309.64</u> | <u>\$493.64</u> |

The foregoing balances represent the unexpended portion of the Cadets' Clothing Deposit which were paid by the cadets upon their admittance to the Academy. As a result of bad management, on June 7, 1948, there was no cash balance to the credit of the Cadets' Clothing Deposit account, but a Cadets' Clothing inventory valued at \$7,319.31 did exist on the above date. The condition outlined above is the result of lack of foresight and prudent judgment in failing to recognize that not all cadets would entirely expend their clothing deposits.

Monies Due Commonwealth from Officers' Mess: For the period under audit, the paymaster received ration money at the rate of \$1.00 per day per certain officers at the academy totaling \$3,031.00. For the same period, the rations refunded to above officers totaled only \$2,606.50. The \$424.50 remaining of the ration money is still in the Officers' Mess Account and apparently represents meals consumed by the officers but not paid for until the end of month, at which time the meals were deducted from their ration checks.

On June 7, 1948, the balance of the Officers' Mess Account consisted of the following:

| | |
|-------------------------------|-------------------|
| Cash in office | \$ 909.27 |
| Cash in bank | 333.30 |
| Due from Treasurer—May ration | 279.00 |
| | <u>\$1,521.57</u> |
| Due officers | — |
| Due Commonwealth | <u>\$1,521.57</u> |

The above balance represents \$1,097.07 collected for meals at the Officers'

Mess during the audit period, and \$424.50 deducted from ration checks to pay for meals eaten but not paid for at the Officers' Mess.

Improper Payment Made from Welfare Fund: On June 7, 1948, the balances of the several trust funds were as follows:

| | |
|-----------------------|-------------------|
| Welfare Fund | \$ 4.45 |
| Athletic Fund | 119.89 |
| Canteen Fund | 226.17 |
| Full and By Fund | 15.39 |
| Year Book Fund | 47.05 |
| John J. Egan Fund | 255.00 |
| Capt. Emery Rice Fund | 470.00 |
| | <u>\$1,137.95</u> |

An examination of the Welfare Fund showed that \$425.00 was taken from that fund to pay for damage by an Academy vessel to a sailing dory owned by a resident of Hyannis. This claim was settled by the Superintendent of the Academy.

The above claim for damage should have been referred to the Attorney General's office and paid by that office from an appropriation specifically provided for by the Legislature for the payment of such claims as provided by Section 3A of Chapter 12 of the Tercentenary Edition of the General Laws.

The Welfare Fund was created to provide music, musical instruments for school band, refreshments and decorations for social activities, flowers for funerals, Christmas party expenses and glee club expenses, and does not include funds for settling damage claims.

It is clear that the payment of this amount from this fund was an improper payment from the Welfare Fund and appears to be an imposition on the cadets' reserves for recreation.

Cruise Advance Shortage: A reconciliation of the Cruise Advance Fund of \$10,000.00 on June 7, 1948, indicated a shortage of \$78.01. The reason for the discrepancy could not be determined.

Section 51 of Chapter 74 of the Tercentenary Edition of the General Laws provides that such Cruise Advance shall be accounted for within thirty days after termination of said cruise.

Cruise Expenses: At a board meeting on November 13, 1947, at which the Commissioners of the Maine Maritime Academy and the Massachusetts Maritime Academy were present, it was agreed upon that the States of Maine and Massachusetts were to share the cruise expenses on a fifty-fifty basis and cruise subsistence on a pro-rata basis. This agreement appeared in the sailing orders given the Superintendent of the Massachusetts Maritime Academy on January 13, 1948, at a board meeting. An effort was made to carry out fully the agreement relative to the cruise expenses, but only a partial attempt was made with respect to the cruise subsistence portion of the agreement.

The cruise subsistence was settled on a pro-rata basis for the period January 16, 1948, to February 29, 1948. However, an arbitrary basis was employed by the paymasters of both Academies in settling the cruise subsistence for the remaining period of the cruise.

Cruise Liabilities: On June 30, 1948, there were cruise encumbrances as follows:

| | | | |
|-----------------------|--------------|--------------------|--|
| Cruise Expenses | D.P.O. #8774 | \$5,292.89 | Awaiting approval of Dept. of Education |
| Cruise Food Purchases | D.P.O. #8774 | 705.47 | |
| Cruise Expenses | D.P.O. #8798 | 8,187.07 | Awaiting arrival of invoices \$8,049.23 |
| Cruise Expenses | D.P.O. #8775 | 1,066.31 | |
| | | <u>\$15,251.74</u> | Due Maine per paymasters of Mass. and Maine |

Overtime Services of Firemen Unpaid for Eleven Months: Wages due four firemen for services rendered for holidays and Sundays from October 12, 1947 to May 30, 1948 remain unpaid as late as September 20, 1948, notwithstanding the fact that the Division of Personnel approved the payment of overdue wages and that an encumbrance was set up June 30, 1948, which amply provided for the payment of these services.

STATE TEACHERS COLLEGE AT FRAMINGHAM

Income: It was noted that a suit brought against the Commonwealth and the State Teachers College at Framingham to have the \$75.00 semester fee declared unconstitutional was dismissed in 1944 and the college so notified. The collection of the \$75.00 fee due from the plaintiff in this case is now in the hands of the Attorney General and no collection has been made on this account to the date of this audit.

UNIVERSITY OF MASSACHUSETTS

Cash, Over and Short: On September 2, 1947, there was a net cash overage of \$28.18. This overage was analyzed and it was found that a shortage of \$82.00, under date of February 6, 1946, is being carried in the cash balance of the present cashier. The record of daily cash overages and shortages was tabulated for the period from July 1, 1946 to August 29, 1947. The largest overage was \$186.30 on September 24, 1946, and the largest shortage was \$113.80 on October 29, 1947.

Total cash receipts for the period under examination were \$4,017,857.58, most of which were receipts in the form of checks and not coin or specie.

It is recognized that during student registration there is tremendous activity in the treasurer's office, and it is recommended that the seriousness of accurately receiving and recording cash be impressed upon the various individuals of the treasurer's office personnel who handle cash, so that variances will be reduced to an absolute minimum.

Outstanding Checks: Checks issued against Trust Funds and Endowment Income bank accounts have been outstanding from one to three years. These funds are under direct control and supervision of the university authorities, and it is recommended that Standard Operating Procedures and Practices establish the maximum time limit a check may be shown as outstanding before stop payment request is issued.

Appropriation Transfers: A comparison of subdivisions of the 1947 fiscal year appropriations as shown by Comptroller's letters and the analysis of the appropriation as shown by the June 30, 1947, financial report was made. This analysis showed the following transfers:

| ACCOUNT NUMBER | ACCOUNT NAME | TRANSFERS | | APPROVALS SEEN | |
|-------------------|---------------------------|--------------------|--------------------|-------------------|-------------------|
| | | INCREASES | DECREASES | INCREASES | DECREASES |
| 1341-00-01 | Administration: | | | | |
| 1341-00-01 | Personal Services | \$ 600.00 | — | — | — |
| 1341-00-04 | Printing Reports | 100.00 | — | — | — |
| 1341-00-05 | Supplies and Equipment | — | \$ 100.00 | — | — |
| 1341-00-11 | Instruction: | | | | |
| 1341-00-11 | Personal Services | — | 8,100.00 | — | — |
| 1341-00-12 | Supplies and Equipment | 6,000.00 | — | — | — |
| 1341-00-15 | Short Courses: | | | | |
| 1341-00-15 | Personal Services | 1,500.00 | — | — | — |
| 1341-00-21 | Extension: | | | | |
| 1341-00-21 | Personal Services | — | 6,000.00 | — | — |
| 1341-00-23 | Supplies, Equipment | — | 1,000.00 | — | — |
| 1341-00-31 | Waltham Field Station: | | | | |
| 1341-00-31 | Personal Services | — | 175.00 | — | — |
| 1341-00-32 | Other Expenses | 175.00 | — | — | — |
| 1341-00-37 | Fertilizer Control Law: | | | | |
| 1341-00-37 | Personal Services | — | 1,000.00 | — | — |
| 1341-00-42 | Poultry Disease Law: | | | | |
| 1341-00-42 | Other Expenses | — | 2,000.00 | — | — |
| 1341-00-43 | Poultry Bronchitis: | | | | |
| 1341-00-43 | Personal Services | — | 1,100.00 | — | — |
| 1341-00-44 | Other Expenses | 1,100.00 | — | — | — |
| 1341-00-61 | Dairy Cattle Certificate: | | | | |
| 1341-00-61 | Personal Services | — | 1,000.00 | — | — |
| 1341-00-63 | Mastitis Testing Lab.: | | | | |
| 1341-00-63 | Personal Services | — | 3,610.00 | — | \$3,610.00 |
| 1341-00-64 | Other Expenses | — | 2,120.00 | — | 2,120.00 |
| 1341-00-65 | Productive Enterprises: | | | | |
| 1341-00-65 | Personal Services | — | 5,000.00 | \$2,000.00 | — |
| 1341-00-66 | Other Expenses | 5,000.00 | — | — | 2,000.00 |
| 1341-00-71 | Operation of Plant: | | | | |
| 1341-00-71 | Personal Services | — | 11,500.00 | — | — |
| 1341-00-72 | Heating and Other | | | | |
| 1341-00-72 | Plant Operations | 4,000.00 | — | — | — |
| 1341-00-73 | Ordinary Maintenance | 7,500.00 | — | — | — |
| 1341-00-74 | Repairs and Renewals | 16,730.00 | — | 5,730.00 | — |
| | | <u>\$42,705.00</u> | <u>\$42,705.00</u> | <u>\$7,730.00</u> | <u>\$7,730.00</u> |

Charges Against 1947 Maintenance Appropriation: A detailed examination of charges against the 1947 Maintenance Appropriation was made for the Repairs and Renewals section only. From this it was noted that purchase orders issued during the 1946 fiscal year were charged against or materials paid for from 1947 Maintenance Appropriation.

In the Repairs and Renewals section of the 1946 Maintenance Appropriation, the June 30, 1946 financial report showed an unexpended balance of \$22,682.25 against which the university filed liabilities of \$22,575.51. Against this amount of \$22,575.51 charges of \$22,330.55 were made during the 1947 fiscal year. In addition to the charges of \$22,330.55, charges of \$2,965.59 were made against the 1947 Maintenance Appropriation.

In a discussion of these charges with the university treasurer and assistant treasurer, it was brought out, that during the 1946 fiscal year, many purchase orders were issued in excess of appropriations with the expectation that the materials ordered would not be delivered within the fiscal year period; and as there were insufficient funds in the Repairs and Renewals section of the 1946 Maintenance Appropriation, all the outstanding purchase orders could not be included in the list of liabilities filed.

No effort was made to determine the aggregate amount of purchase orders issued against all other subdivisions of the 1946 Maintenance Appropriation and charged against the 1947 Maintenance Appropriation.

That effectual controls over purchases were lacking in the 1946 fiscal year and that obligations were incurred in excess of the amount of appropriations with the knowledge and approval of the university treasurer is self-evident.

The treasurer further stated that this condition would not exist in the future because as of July 1, 1947, a system of encumbrances control was installed by the Comptroller's Bureau; which prevents purchase orders from becoming valid until the amount of the purchase order has been encumbered on the records of the Comptroller.

Repairs and Renewals—1947 Fiscal Year: A detailed examination of this section of the 1947 Maintenance Appropriation was made. This examination showed an apportionment of \$3,000.00 of 1947 appropriation to a project titled, "1946 Projects". This amount of \$3,000.00 was in addition to \$22,330.55 disbursed as 1946 fiscal year liabilities. Against the apportionment of \$3,000.00 charges of \$2,965.59 were made.

Examination of projects approved by the Budget Commissioner failed to show any approval of the so-called "1946 Projects" item of \$3,000.00.

The expense ledger, as maintained by the treasurer's office does not show charges against each project to which funds have been apportioned. This was discussed with the university treasurer and it was recommended that the expense ledger maintained by the university and the monthly financial report compiled by the university show this section of the appropriation by amounts apportioned to and expended from the individual Repairs and Renewals projects.

Repairs and Renewals—1948 Fiscal Year: Included in a list of projects approved by the Budget Commissioner in October 1947, was project No. 24 titled "Previous Year Projects" to which the university officials apportioned \$1,300.00 of the 1948 Maintenance appropriation. This amount is in addition to \$44,632.90 filed as liabilities on June 30, 1947.

Encumbrances against project No. 24 and invoices charged thereto were reviewed and it was noted, an analysis showed, that charges and outstanding obligations were applicable as follows:

| | | |
|-----------------------------------|----|----------|
| Project No. 5 — 1946 Fiscal Year | \$ | 93.63 |
| Project No. 26 — 1947 Fiscal Year | | 234.73 |
| Project No. 28 — 1947 Fiscal Year | | 974.75 |
| Project No. 35 — 1947 Fiscal Year | | 8.40 |
| | \$ | 1,311.51 |

It was noted that the university reverted \$1,752.91 in the Repairs and Renewals section of the 1947 Maintenance appropriation. It cannot be understood how balances can be reverted in one appropriation and subsequent years appropriation used to meet the obligations of prior years.

It can be recognized that increase in prices of materials would cause original estimates to be increased, but it is felt that at the end of a fiscal year sufficient information would be available to proper personnel for filing liabilities amounts.

Internal Controls: The internal control of materials received and routing of bills for payments was reviewed and it was noted that there has been little change in methods of procedure over a period of years. With anticipated increases in student enrollment there will be a corresponding increase in fiscal activities and unless some progressive changes are made in the current routine, it is felt that the university will not be able to properly control purchases or process invoices for payment.

The following summary of finding shows:

I *Internal Control of Purchases:* There is a definite lack of proper internal control over purchases by the university. The following have occurred:

a. Approximately 70,000 pounds of Farm Grain was delivered to the university and stored in the farm barns, after which it was learned that no purchase order had been issued to the grain dealer who delivered the grain.

b. A milk bottle machine, estimated value of \$1,200.00 was received at the university from the manufacturer, upon oral authorization of an employee of the university. No purchase order was issued for the purchase of this equipment.

Both of the above items were not accepted by the university after it was found that no purchase orders had been issued.

Materials received by the university may be delivered directly to the department ordering the materials and as a result do not pass through the central receiving room. It can be understood that scientific equipment and large shipments cannot physically be accepted and inspected at the receiving room and subsequently rerouted to the proper department; but it is felt that these shipments could be processed through the receiving room and delivered directly to the proper departments for inspection as to quantity and quality, by the trucking concern delivering the materials to the receiving room. If this or some comparable procedure had been operational, the 70,000 pounds of Farm Grain would not be received by the department, stored in the farm barns by farm personnel and then have to be removed and returned to the grain dealer.

II *Receiving Records:* Under the current methods of procedure, the receiving copies of purchase orders or the storekeeper's receiving records, Form C.B. 16, are not used for the purpose for which they are intended.

III *Processing Invoices for Payment:* Current methods of procedure for the processing of invoices for payment consist of the following routine:

a. Invoices covering purchases of materials and rendered for payment therefor to the university may be received either by the university treasurer or the department ordering the materials. If the invoices are received at the treasurer's office, the invoices are sent to the various departments for signature of the department head on the invoices and are returned to the treasurer's office thereafter, which causes delays in scheduling invoices. The following example is used to show

the dates on the institution copy of an invoice following the current procedure and the date of the payment schedule:

- August 7, 1947—Invoices received at treasurer's office, from which it was sent to the Waltham Field Station for signature of department head.
- August 14, 1947—Invoice received at treasurer's office from Waltham Field Station.
- August 19, 1947—Invoice received at treasurer's office from operating and maintenance department to which it had been sent for signature of the head of that department after the invoice had been received from the Waltham Field Station.
- September 10, 1947—Invoice scheduled for payment.

The foregoing invoice was discussed with the university treasurer and it was understood that the reason for the delay in scheduling this particular invoice was that a clerk in the treasurer's office who schedules invoices for payment was on vacation at that time. However, it will be noted that 12 days had expired between the date the invoice was received originally at the university and the date the invoice was finally delivered to the treasurer's office with department head signatures.

IV *Discounts Lost:* Through the method of procedure of processing invoices for payment, discounts are lost by the university. If invoices were verified to receiving records, purchase orders and contracts and processed directly, discounts, as shown by the following examples, would not have been lost.

a. Bid No. 30, as accepted by the university, states terms to be 2%, 15 days.

An invoice submitted by the contractor dated March 4, 1947, for \$12,000.00 was scheduled for payment as a Non-Discount invoice on March 10, 1947. When the invoice was received by the Comptroller and found to be incorrectly scheduled, it was returned to the university and the invoice was re-scheduled as a Discount invoice on April 22, 1947.

A second invoice on this bid in the amount of \$700.00 showed the university, dated May 16, 1947, was scheduled for payment May 29, 1947.

b. Bid No. 7, as accepted by the university states terms to be 2%, 15 days.

The contractor, submitted an invoice for payment in the amount of \$1,500.00. An examination of the institution copy of the invoice showed the following dates:

- October 1, 1946—Invoice date.
- October 2, 1946—Invoice received at treasurer's office.
- October 11, 1946—Invoice received at Operation and Maintenance department.
- October 16, 1946—Invoice received back at treasurer's office.
- October 17, 1946—Invoice scheduled for \$1,470.00.
- December 16, 1946—The discount of \$30.00 was not allowed by the contractor and an invoice for \$30.00 was scheduled for payment on this date.

A second invoice on this bid in the amount of \$700.00 showed the following dates:

- December 1, 1946—Invoice date.
- December 12, 1946—Received at treasurer's office.

December 24, 1946—Received at treasurer's office from operating and maintenance department where bill had been sent.

December 27, 1946—Invoice was scheduled as a Non-Discount Invoice and no discount was taken.

c. An invoice in the amount of \$2,948.00, dated December 20, 1946, was received and scheduled as a discount invoice for \$2,889.04 on December 31, 1946. This invoice was returned by the Comptroller because the original copy of the bid covering the work was not attached to the invoice and a list of the other bidders had not been submitted. The invoice for \$2,889.04 was re-scheduled on January 16, 1947.

The amount of the discount, \$58.96 was scheduled for payment on February 4, 1947.

A summary of the foregoing examples shows that on these four invoices the university, and therefore for Commonwealth, lost:

| | | | | | | | |
|----|---|---|---|---|---|---|----------|
| a | . | . | . | . | . | . | \$240.00 |
| b1 | . | . | . | . | . | . | 30.00 |
| b2 | . | . | . | . | . | . | 14.00 |
| c | . | . | . | . | . | . | 58.96 |
| | | | | | | | <hr/> |
| | | | | | | | \$342.96 |
| | | | | | | | <hr/> |

The method of receiving all materials in the central receiving room and using the receiving copies of purchase orders and the Storekeeper's Receiving Record, Form C B-16, as the basis for processing invoices for payment were discussed with the treasurer of the university.

It is recommended that the officials of the university review the methods of procedure and internal control of materials and processing of invoices for payment for the entire university and that standard operating procedures be installed so that the interests of the university and the Commonwealth will be better protected.

Personnel—Records and Pay Roll Disbursements: Including student labor pay roll the pay roll for the month ending November 30, 1947 showed a total of 1,104 employees. There is no one location at the university where information on all personnel can be obtained.

It is recommended that the administration of the university review the current internal control over personnel and that a study of the possibility of consolidating all personnel records into one central personnel department be made.

It is also recommended that the Division of Personnel and Standardization review the entire personnel structure of this university.

Accounts Receivable, Charged Off: The previous audit report stated:

"It is recommended that all charge-offs or cancellations of accounts receivable be recorded through journal entry."

The attention of the Commission on Administration and Finance is called to the foregoing comment and it is suggested that this phase of the college activities be reviewed by the Comptroller and necessary records and assistance be provided to the college.

It is again recommended that all charge-offs or cancellations of accounts receivable be recorded through journal entries.

Accounts Receivable—Suspense: The Accounting Manual issued by the Comptroller for the information and guidance of department and institution personnel, states, in reference to account receivable referred to the Attorney General for collection:

"All accounts referred to the Attorney General should be removed from the Active section of the ledger and placed in a Suspense section of the ledger."

Attention of the university officials is called to this section of the Accounting Manual.

Notes Receivable—Suspense: It is suggested that the university officials interpret the instructions contained in the Accounting Manual which refer to accounts receivable referred to the Attorney General, to apply also, to the notes receivable which the university has referred to the Attorney General for collection and that proper entries be made on the records to reflect the status of notes receivable.

U. S. Army Program: The previous audit report commented upon the following two contracts covering Army Special Training:

Army Contract No. W-19-073-AST (SC-1)-48
Army Contract No. W-19-073-AST (SC-1)-49

Final settlement negotiations on these contracts showed:

| | |
|---|-----------|
| Contract No. 48—Refund due United States Government | \$ 446.56 |
| Contract No. 49—Due University of Massachusetts | 46,134.35 |

The accounts receivable records at the university showed charges of \$41,439.19 leaving a gross amount of \$4,695.16 which should be set up in accounts receivable.

The final settlement was approved by the Attorney General's department as to form and approved by the Governor and Council on April 19, 1947.

Accounts Receivable—Students Charges: Previous audit reports commented upon the fact that student charges were set up only when paid. This condition was again discussed with the university treasurer and assistant treasurer.

It is recommended that the Comptroller's Bureau issue specific instructions to become part of the Accounting Manual issued to this university, setting forth a prescribed procedure for recording student charges.

Tuition Charges: The previous audit report stated:

"An examination of invoices submitted to parents for the payment of tuition showed that resident tuition rates were paid by persons whose residence addresses were outside the Commonwealth. This was discussed with the university treasurer who stated that the rules covering the payment of tuition had a proviso to the effect that a student would not lose residential preference during his continuous attendance at the university. The treasurer also said that if the parents or guardian of a student paying non-resident tuition rates, became residents of the Commonwealth, the student would receive the benefit of the resident rates. It would seem that, when a residential preference is lost by virtue of the moving of a parent or guardian to another state, the students who would be in attendance at the college would be charged the non-resident tuition rate."

This was again discussed with the treasurer and attention is called to the comment in the previous audit report.

University Production: Beginning in 1940 the budgetary classification "Farm" was changed to "Productive Enterprises" and included the following departments:

Dairy
Farm
Floriculture
Mount Toby
Pomology
Poultry Husbandry

The university general ledger now includes the following accounts relating to the farm activities:

- Farm Production
- Farm Storage
- Farm Products Used
- Clearing Account Prior Farm Storage

These accounts show only transactions which come within the supervision of the Farm Department. If the titles of these accounts were changed, and the word "Farm" in each of the four accounts be replaced with the word "University" the production and disposition of all the university departments could be recorded on the financial records of the university treasurer and these accounts could reflect the entire production of all the university departments.

At the time of previous audits this matter was brought to the attention of the university treasurer and it was suggested to the treasurer that the university departments might be provided with the subsidiary forms now in use at the Farm Department so that the monthly production reports which are submitted to the treasurer's office could be verified to a record of original entry.

It is again recommended that the university refer this matter to the Comptroller's Bureau and with the co-operation of the Bureau install the necessary records of original entry and a complete centralized control of all university production and disposition.

The treasurer stated that the university plans to request a position which will permit co-ordination of all farm activities into one location at the university.

Interdepartmental Transfers of Local Produce: The previous audit report showed the following paragraphs which were taken from a memorandum issued to department heads by the Treasurer of the College.

"I *Interdepartmental Transfers.*

The following will be the procedure for handling interdepartmental transfers:

a. *Local Produce.*

Goods produced by the various departments of the College as a result of their education and research programs and including such items as apples, milk, flowers, poultry products, etc., may be transferred from the producing department to another department of the College where they may be needed in connection with the education and research program without a cash transfer on the books. The transfer of goods should be on the basis of a memorandum from the department needing the goods to the issuing department. No credits or charges will be entered upon the treasurer's books."

Memoranda of transfer of local produce were not available for use by the auditors. It is again suggested that such memoranda be used as the basis of transfers and that they be kept on file for audit purposes.

Endowments: The previous audit report commented upon the following endowment funds:

Alvord Dairy Scholarship Fund: It was shown that the bequest under which this fund was established specified that the fund was bequeathed to:

" . . . The Massachusetts Agricultural College, Amherst, Massachusetts, provided that the present name and leading features of said college be not changed, to found a scholarship, to be known as the Alvord Dairy Scholarship. . . ."

On August 31, 1947, the balance in this fund was \$4,197.15 with accumulated income of \$1,093.88. The name of the college was changed by Chapter 127

of the Acts of 1932 to the Massachusetts State College, and again changed to the University of Massachusetts by Chapter 344 of the Acts of 1947. The question has been raised in previous audit reports as to whether the trustees are complying with the original bequest in continuing to retain this fund.

Attention is again called to the provisions of this fund.

Danforth Keyes Bangs Revolving Fund: This fund was established by the board of trustees by transferring \$5,000.00 from the Danforth Keyes Bangs Endowment Fund, which had been allowed to accumulate from the original bequest of \$6,000.00.

As the Danforth Keyes Bangs Fund was established by a bequest providing:

"... the income thereof to be used annually. . . ."

It was recommended in previous audit reports that the Attorney General be requested to examine the establishing of the Danforth Keyes Bangs Revolving Loan Fund to determine if the fund could be properly set up under the terms of the bequest. As yet this matter has not been clarified. On August 31, 1947 the balance in this fund was \$5,467.86.

Charles S. Plumb Fund: The bequest under which this fund was established states that one half the annual income is to be awarded each year and the unspent half of the annual income is to become part of the original fund for the next fifty years after the plan goes into operation.

The records of the college show that no award has been made.

Half the income earned to June 30, 1946 was transferred to the principal account on November 30, 1946.

Disbursement of Endowment Income: In connection with checking the disbursements several items were noted which appear to be questionable charges against the various endowment funds.

While it is recognized that certain endowment funds, particularly the Burnham, Session and Wheeler Funds, are not restricted insofar as expenditures are concerned as distinctly as are some of the other funds, it is thought that certain expenditures made from them should have been confined to matters other than the following:

BURNHAM EMERGENCY FUND

| | | | | | | |
|------------------|---------------------|---|---|---|-----------------|---------------------------|
| November 4, 1946 | Boarding Hall | . | . | . | \$ 1.50 | 3 Luncheons |
| January 6, 1947 | Drakes Hotel | . | . | . | 14.70 | 14 Luncheons |
| January 14, 1947 | College Store | . | . | . | 39.00 | 100 Calendars |
| January 14, 1947 | Copley Plaza | . | . | . | 15.75 | 5 Dinners |
| April 1, 1947 | Boarding Hall | . | . | . | 8.50 | 10 Luncheons |
| May 5, 1947 | Boarding Hall | . | . | . | 2.50 | 5 Luncheons |
| May 20, 1947 | Hotel Statler | . | . | . | 11.25 | 4 Luncheons |
| May 26, 1947 | Amherst Nature Club | . | . | . | 3.00 | 20 Copies Publication |
| June 3, 1947 | Boarding Hall | . | . | . | 28.50 | 30 Luncheons |
| June 27, 1947 | Faculty Club | . | . | . | 1.50 | 2 Luncheons |
| June 27, 1947 | Boarding Hall | . | . | . | 21.85 | 23 Luncheons |
| July 9, 1947 | Kinsman Studio | . | . | . | 2.50 | 10 Prints of Prof. Gunnes |
| August 19, 1947 | Boarding Hall | . | . | . | 7.70 | 10 Luncheons |
| | | | | | <u>\$158.25</u> | |

SESSIONS FUND

| | | | | | | |
|---------------|--------------------|---|---|---|-----------------|-----------------------------|
| July 8, 1946 | Boarding Hall | . | . | . | \$ 6.00 | 8 Luncheons |
| July 10, 1946 | Parker House | . | . | . | 20.61 | 4 Dinners, 4 Luncheons |
| June 9, 1947 | Faculty Club | . | . | . | 2.85 | 3 Luncheons |
| June 9, 1947 | Hamilton J. Newell | . | . | . | 7.50 | 1,000 Baccalaureate tickets |
| June 2, 1947 | Boarding Hall | . | . | . | 5.70 | 6 Dinners |
| June 26, 1947 | Associate Alumni | . | . | . | 6.32 | 4 Tickets Alumni Luncheon |
| | | | | | <u>\$ 48.98</u> | |

WILLIAM WHEELER

| | | | | | |
|----------|----------|-----------------------|---------|-----|--------------------------------|
| July | 31, 1946 | Hamilton I. Newell | \$ 7.50 | 200 | Invitations Memorial Exercises |
| August | 2, 1946 | Musante's Flower Shop | 10.00 | | Flowers for Funeral |
| November | 25, 1946 | Boarding Hall | 1.00 | 2 | Luncheons |
| December | 12, 1946 | Faculty Club | 3.75 | 5 | Luncheons |
| December | 26, 1946 | Boarding Hall | 7.50 | 10 | Luncheons |
| December | 26, 1946 | Drake Hotel | 12.60 | 12 | Luncheons |
| April | 4, 1947 | Union Club | 28.05 | | Luncheons |
| April | 22, 1947 | Hotel Statler | 20.11 | 5 | Dinners |
| May | 16, 1947 | Faculty Club | 4.30 | 9 | Luncheons |
| May | 28, 1947 | Parker House | 11.37 | 5 | Luncheons |
| May | 28, 1947 | Arthur Musgrave | 26.13 | | Expenses Departmental business |

\$132.31

Endowment Securities—Interest and Dividends in Arrears: Holdings of Columbus Venetian Stevens Buildings, Inc. Certificates and Columbus Venetian Stevens Buildings, Inc. 5% First Mortgage Income Bonds were sold during the period under examination. The university treasurer stated that all rights to income in arrears were lost due to the sale of the securities.

Notes Receivable: Previous audit reports commented upon accounts totaling \$560.45 which had been returned to the Attorney General for collection and which had not been included in the general ledger balance. This was discussed with the university treasurer and it is again suggested that these accounts be included in the control account balances.

Interest Due on Notes Receivable: It is again recommended that interest on all overdue notes be added monthly so that interest due may be a matter of current record.

Promissory Note—Not Recorded on Records: The previous audit report commented upon a refund of income in the amount of \$24.75 which was received by the university to replace a promissory note dated September 29, 1939 which had been included as a cash voucher in the cashiers cash on hand.

At that time it was recommended that, as this amount was due the university from a former student, the amount of \$24.75 be recorded as a receivable item. This had not been done and attention is again called to this recommendation.

Military Uniform Deposit: On August 31, 1947, there was a surplus of \$31.53 in this account. It is recommended that this amount revert to the State Treasurer as income.

College Store: The activities of the college store are divided into three classifications:

Text Books
Supplies
Luncheonette

The Text Book section represents the transactions in the purchase and sale of text books to students.

The Supplies section represents the purchase and sale of candy, tobacco, notions, etc., to students.

The Luncheonette section represents the transactions in the purchase and sale of sandwiches and an ice cream bar.

Because the accounting system is not designed for the ready verification of sales through inventories, conversion of selling prices was not attempted and inventories were not taken.

The installation of a so-called "Retail Value" system of accounts so that the sales could be readily checked and verified through inventories was discussed with the university officials. It is again recommended that the Comptroller's Bureau be requested by the university authorities to install a retail value system of accounting in the Text Books section and the Supplies section of the College Store.

Sales for the period ended June 30, 1947 showed an increase of \$83,090.41 from sales of the previous year. This increase was in sale of books and

supplies, largely due to veteran students and to the increased enrollment. Expenses increased \$10,406.07 over the expenses of the previous year, chiefly in salaries and wages.

The net operating profit for the period was \$13,362.79, an increase of \$12,825.88 over the net profit of the preceding period.

War Memorial Fund: The balance of \$641.65 in this account was transferred to the Alumni War Memorial Committee.

Boarding Hall: A previous audit report commented in detail upon the payment of an invoice which covered a payment for merchandise which had never been received by the Boarding Hall. The previous audit report stated:

"The seriousness of passing invoices for payment by the State Treasurer for merchandise never received by the Commonwealth is self-evident. It is, therefore, recommended that the Commission on Administration and Finance review all the elements of these two invoices and have the amounts expended reimbursed to the Commonwealth from the responsible employees."

Attention is again called to the recommendation in that previous audit report.

Boarding Hall—Family Maintenance Withdrawals: Family maintenance allowances being on a calendar year basis, the financial report for December 1946 was examined for this phase of the activities of the university. All supporting records for the family maintenance issues on file in the Boarding Hall office were examined and it was found that issues of food to one employee during the month of December 1946 were not included in the amount of withdrawals; neither were the issues recorded in the proper accounts in the stock ledger until January 1947.

Included in an explanation which the employee concerned made to the Treasurer of the University, was the following statement:

"In discussing the matter with the clerk I suggested that she take the amount in excess of my allowance for the year, which is based on a calendar year, and add the excess to the month of January 1947."

Boarding Hall—Materials and Supplies: A physical inventory of materials and supplies was taken on September 3, 1947 and the boarding hall employees were requested to balance the stock ledger so that the inventory could be verified, in detail to a controlling account. Notification of this balancing was not received for some time subsequent to the inventory and on October 1, 1947 an attempt was made to verify the inventory of September 3, 1947 to the stock ledger balances. These balances which were supposed to be in agreement with the controlling account were in almost total disagreement and as a result it was considered advisable to retake the inventory and allow the boarding hall personnel to again attempt to balance the stock ledgers.

A second inventory was taken on October 29, 1947 and verification of units was made on October 30, 1947 and recounts of variances were taken on October 30, 1947. Subsequent to the verification of units, the inventory was valued and an attempt was made to determine the causes of the variances. The following statement shows the results of the inventory taken on October 29, 1947.

| | | |
|------------------------------|--------------------|--------------------|
| Stock Ledger Values— | | |
| Active Accounts | | \$15,889.63 |
| Physical Inventory | \$15,736.96 | |
| Add: | | |
| Shortages | 2,295.54 | |
| | <u>\$18,032.50</u> | |
| Less: | | |
| Overages | <u>2,142.87</u> | <u>\$15,889.63</u> |

A tabulation of adjustments made during the audit period and applicable to the audit period showed overage adjustments of \$694.03 and shortage adjustments of \$668.52. The total of these adjustments and the variances shown by

the physical inventory amounts to \$5,800.96; equal to 3.4% of the values of purchases.

The variances in the inventory of October 29, 1947 seem to result from the following:

| | | | | | | |
|---------------------------|---|--|--|--|--|-------------------|
| 1 | Issued without requisition | | | | | \$ 203.32 |
| 2 | Stock ledger postings or other errors | | | | | 7.08 |
| 3 | Merchandise received but not included in purchases | | | | | 1,300.66 |
| 4 | Bulk issues and variances not checked | | | | | 170.86 |
| 5 | Variance cause unknown | | | | | 1,639.15 |
| 6 | Returned from kitchen | | | | | 32.16 |
| 7 | Stock issued incorrectly | | | | | 96.83 |
| 8 | Combination of items 1, 2, 5, and 7 variance not distinctly applicable to any one cause | | | | | 988.35 |
| Total inventory variances | | | | | | <u>\$4,438.41</u> |

Board Hall—Local Purchases: During the period under examination, fresh fruit, fresh vegetables, bread, fish and meat were purchased by the boarding hall locally. No bids were requested on these purchases.

The possibility of making these local purchases after obtaining bids was discussed with the Boarding Hall Manager and the University Treasurer at the time of the previous audit. No change in the method of purchasing was made during the current audit period and this phase of the Boarding Hall activities was again discussed with both the Boarding Hall Manager and the Treasurer of the University.

State institutions located in Hampden and Hampshire counties were visited and prices received by these institutions on bids were tabulated and compared with prices paid by the Board Hall Manager for the same merchandise. It was extremely difficult to have all factors necessary for making a comparison coincide for all the commodities purchased, but the following comparisons of commodities and prices paid are shown as examples of the differences between the prices paid by the Boarding Hall and the bids received by the other institutions.

ORANGES

| AT BOARDING HALL DATE RECEIVED | BOARDING HALL | | INSTITUTION A | | INSTITUTION B | | INSTITUTION C | |
|-----------------------------------|---------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|--------------------|
| | SIZE | PRICE PER CRATE | SIZE | PRICE PER CRATE | SIZE | PRICE PER CRATE | SIZE | PRICE PER CRATE |
| July 5, 1946 | 250 | \$7.00 | 250 | \$7.00 | — | — | — | — |
| August 2, 1946 | 176 | 8.50 | — | — | 176 | \$6.00 | — | — |
| October 18, 1946 | 344 | 7.50 | — | — | — | — | 344 | \$7.50 |
| November 1, 1946 | 220 | 10.00 | — | — | 216 | 5.75 | — | — |
| November 8, 1946 | 216* | 4.75 | — | — | 216 | 3.00 | — | — |
| November 13, 1946 | 216 | 4.00 | — | — | 216 | 3.50 | — | — |
| November 15, 1946 | 216 | 4.25 | — | — | 216 | 3.50 | 220 | 3.50 |
| November 29, 1946 | 216 | 4.00 | — | — | 216 | 3.25 | — | — |
| December 6, 1946 | 216 | 3.75 | — | — | 216 | 2.65 | 216 | 2.99 |
| December 31, 1946 | 150 | 4.25 | 150 | 4.00 | — | — | — | — |
| January 3, 1947 | 150 | 4.00 | 150 | 4.00 | — | — | — | — |
| January 17, 1947 | 216 | 3.75 | — | — | 216 | 2.50 | — | — |
| January 24, 1947 | 216 | 3.75 | — | — | 216 | 2.47 | 216 | 2.75 |
| February 7, 1947 | 216 | 3.50 | — | — | 216 | 2.50 | — | — |
| February 28, 1947 | 216 | 4.50 | — | — | 216 | 2.65 | — | — |
| March 14, 1947 | 216 | 4.50 | — | — | 216 | 3.07 | 216 | 3.92 |
| March 21, 1947 | 216 | 4.75 | — | — | 216 | 3.14 | — | — |
| March 28, 1947 | 150 | 5.00 | — | — | 150 | 4.15 | — | — |
| April 4, 1947 | 150† | 4.75 | 150† | 4.25 | 150 | 3.75 | — | — |
| April 18, 1947 | 216 | 4.75 | — | — | 216 | 4.50 | — | — |

* With the exception of these purchases, all other purchases by the Boarding Hall were from the same produce dealer.

† Bid received by Institution A was from the same produce dealer from whom Boarding Hall purchased without bids and for the same number of crates.

One factor which is not shown on the preceding statements is the quantity or number of crates.

The purpose of the preceding statements is to show that a savings to the Commonwealth could have been effected by the Board Hall Manager had he followed the suggestion made at the time of the previous audit.

The foregoing comparisons were shown to the Treasurer of the University, and he stated that when the suggestion was made to him, at the time of the

previous audit, he, at that time, discussed purchases on bids with the Board Hall Manager, and the Board Hall Manager stated that purchases without bids were as economical as purchases with bids.

Boarding Hall—Recommendations: It is recommended that the Commission on Administration and Finance investigate all phases of administration of the Board Hall.

Bond for Military Property: A non-premium surety bond in the principal amount of \$125,000.00, which is on a standard Department of the Army, Q.M.C. form headed:

"BOND FOR SAFE KEEPING OF PUBLIC ANIMALS, ARMS, UNIFORMS AND EQUIPMENT AND MEANS OF TRANSPORTATION, ISSUED TO EDUCATIONAL INSTITUTIONS UNDER SECTION 47, NATIONAL DEFENSE ACT OF JUNE 3, 1916 AS AMENDED BY ACT OF JUNE 4, 1920."

has been executed by the Treasurer of the University of Massachusetts upon authorization of the Board of Trustees.

From a bond in the amount of \$70,000.00, which was superseded by the \$125,000.00 bond, the following section was taken, with the understanding that the bond for \$125,000.00 reads the same:

"Massachusetts State College, a college, organized and existing under the laws of the State of Massachusetts, G. L. Chap. 75, are held and bound into the UNITED STATES OF AMERICA in the penal sum of (One Hundred Twenty Five Thousand) dollars, to the payment of which sum, well and truly to be made, we bond this college, as agency of the Commonwealth of Massachusetts firmly by these presents."

No copy of the bond for \$125,000.00 was seen, but it is understood that there has been no prior approval of the bond by the Governor and Council, and neither has the Legislature authorized the University, either by appropriation act or otherwise, to obligate the Commonwealth for the amount of this bond.

It is recommended that this bond and all elements related thereto be referred to the Attorney General for opinion.

Facilities Provided for the Military Property: The facilities provided by the college for the storage of arms and clothing issued to the University by the Department of the Army consist chiefly of one wooden building known as "Drill Hall."

The local commandant advised that each report made by representatives of the Department of the Inspector General based upon inspection of the local facilities has been most critical.

Prior to World War II, the R.O.T.C. unit at this University was a cavalry unit, but since the end of the war the Cavalry unit has been replaced by an armored unit, and an Air Force R.O.T.C. unit has been attached. Each student is issued a complete set of officers' dress and work uniforms, shoes, raincoats and overcoats. There are Garand-M1-Rifle 45 Cal. Automatic Pistols, Machine Guns, 30 Cal. and 50 Cal. and Carbines Model M-1-30 Cal. stored in the Drill Hall Armory. Clothing which has not been issued to the students is stored in a section of the Drill Hall building. This storage space is insufficient to store all clothing, when the clothing is returned by the students, and it is necessary to store the clothing in places which do not provide adequate protection.

When the armored unit was installed, certain mechanical equipment was issued to this unit, viz., a tank, two armored reconnaissance cars, trucks and jeeps, and these vehicles are stored in what was the old stable for cavalry horses and a small wooden building near the stables. The Commandant stated

that it was impossible to secure all the equipment required to properly teach courses in armor, due to the lack of proper facilities; and, if proper facilities are not provided, it is not improbable that the Department of the Army will remove the installation from the University.

During inclement weather, outdoor classes cannot be held in Military Science and Tactics, and arrangements have been made with the Physical Education Department to hold these classes in the Physical Education Cage. However, if the cage is in use, these classes cannot be held.

The serious feature to this phase of the University activities is the possibility of the loss of Federal funds which the Commonwealth receives for the payment of salaries.

The University Treasurer has been designated as "Military Property Custodian" by the Board of Trustees, and a surety bond in the amount of \$125,000.00 has been given to the Federal government for protection against loss of property issued to the University. With the enrollment of freshmen at the University in Amherst being mostly non-veterans, and the student increase that is facing the University, attention is called to the responsibility of the University to provide adequate storage facilities and proper space for classes in the Military Science and Tactics courses.

BRADFORD DURFEE TECHNICAL INSTITUTE

Tuition: By vote of the Board of Trustees on April 10, 1947, the tuition to all students entering the Institute for the first time after September 1, 1947 will be \$50.00 per semester for residents of Massachusetts and \$125.00 per semester for non-residents, including foreign students.

The vote of the Board of Trustees established the tuition fee for foreign students for this school at \$250.00 per year, whereas, at the New Bedford Textile Institute, for identical courses, the tuition fee for foreign students is \$500.00 per year.

LOWELL TEXTILE INSTITUTE

Lowell Textile Associates, Inc.: This entity maintains the book store at the Institute.

Up to August 5, 1947 the following items have been transferred from the Co-operative Store accounts to a Special Fund.

TRANSFERS TO SPECIAL FUND

| | | | | |
|--|---|---|---|-------------|
| Transfer of securities (book value) June 12, 1935 | . | . | . | \$10,029.50 |
| Notes receivable, June 12, 1935 | . | . | . | 1,117.73 |
| Transfer for purchase of securities, June 12, 1935 | . | . | . | 1,200.00 |
| Transfer of cash, May 17, 1937 | . | . | . | 2,000.00 |
| Transfer of cash, November 19, 1938 | . | . | . | 1,050.00 |
| Transfer of cash, June 18, 1940 | . | . | . | 1,000.00 |
| | | | | <hr/> |
| | | | | \$16,397.23 |

Lowell Textile Institute Building Association: This Association was formed for the purpose of constructing, equipping and maintaining buildings for dormitories, commons and other uses connected with the Lowell Textile Institute, pursuant to Chapter 428, of the Acts of 1946.

This entity was organized on June 24, 1946 and held first director's meeting on that date. The by-laws were enacted and the following officers were elected:

| | | | | | | |
|---------------------|---|---|---|---|---|---------------------|
| SAMUEL PINANSKI | . | . | . | . | . | President |
| ROLAND E. DERBY | . | . | . | . | . | Vice-President |
| ALBERT J. GILET | . | . | . | . | . | Vice-President |
| CARLETON J. LOMBARD | . | . | . | . | . | Vice-President |
| E. PERKINS MCGUIRE | . | . | . | . | . | Treasurer |
| HAROLD T. GODFREY | . | . | . | . | . | Assistant Treasurer |
| HENRY L. MASON, JR. | . | . | . | . | . | Clerk |

The first of the dormitories started March 18, 1947, is now nearing completion and it is anticipated the second dormitory will be started in a short

time. The second dormitory connected with the Lowell Textile Institute was authorized by Chapter 439 of the Acts of 1947.

Lowell Textile Institute Library Association: This entity was organized in August 1947 for the purpose of assisting in the development and maintenance of the library of the Lowell Textile Institute. Through this library, it is planned to acquire by gift, purchase, construction, or otherwise, money and real and personal property of every description, which may be necessary or convenient for such purpose and to do any and all things necessary to accomplish such purposes, permissible under Chapter 180 of the Tercentenary Edition of the General Laws.

This account was not audited.

INDUSTRIAL ACCIDENT BOARD

Accounts Receivable Control—Industrial Accident Fund: The balance in the Accounts Receivable Control Account of the Industrial Accident Fund on the date of the current audit was \$3,250.00. On August 31, 1941 the balance in the Accounts Receivable Control Account was \$3,250.00. During the period from August 31, 1941 to December 1, 1942, \$1,000.00 was paid and credited to the account. During the same period \$1,000.00 was charged to the control account which could not be verified due to the fact that the bookkeeping records prior to December 1, 1942 have since been destroyed under proper authority. The difference of \$2,250.00 was determined by the audit to be three cases where a lump sum settlement was made by the insurer in the years 1940 and 1943. It was also noted that during the period from December 1, 1942 to the date of the current audit no charges had been made until after the cash was received.

It is recommended that an adjusting entry be made to write off the books \$2,250.00 which represents three accounts made by lump sum settlement.

It is also recommended that the Board identify the balance of \$1,000.00 and if found that a lump sum settlement was made by the insurer an adjusting entry should also be made.

It is further recommended that all charges be brought on the books when the Board determines the amount of liability.

Foreign Corporation Fund: As this fund has been inactive for a great many years, it is suggested that an effort be made to liquidate the balance through general revenue provided that this can be accomplished without any legal problems.

Public Employees Compensated for Injuries: First report of injury is forwarded immediately following accident, indicating date, nature and extent of injury and disability. When disability is sufficient to warrant compensation, agreements are drawn up by employing department and forwarded to the Attorney General for approval. Agreement, after being approved by the Attorney General is also approved by the Industrial Accident Board. After approval by the Industrial Accident Board, compensation payments are scheduled to cover weekly payments as due during disability. Medical bills sent by doctors to employing department are forwarded to the Industrial Accident Board. Original liability is approved by the Attorney General and the Industrial Accident Board and it is then scheduled in accordance with approval on Invoice Warrant which is approved by the Industrial Accident Board and then forwarded to the Comptroller's Bureau.

The case is complete when all compensation has been paid for disability due to injury and when all medical bills incurred because of the injury have been scheduled. No estimate of outstanding liabilities because of medical services can be made due to the fact that future course of medical treatment cannot be predicted.

Reports are received at the rate of approximately two hundred per month, of which about 50% receive medical care and 10% receive compensation.

DEPARTMENT OF LABOR AND INDUSTRIES

Division of Standards—Resale of Licenses (Transfers): It was noted that in some cases in which a license has been resold or transferred, the inspector handling the transfer has dealt directly with the parties concerned and has made refunds from the fee collected from the new licensee to the previous licensee for the unexpired portion of the license.

It is recommended that transfer of licenses hereafter be made only through the Main Division Office. The original licensee should be instructed to forward the license to the Boston Office. Prospects for transferred licenses should also be referred to the Boston Office.

Massachusetts Development and Industrial Commission: It was noted in the previous audit report that for the purpose of seeking to have the United Nations locate in Massachusetts there was set aside an appropriation from various sources, amounting to \$25,000.00. Expenditures from this appropriation were not made under the supervision of the Commission but were handled by the Executive Department. As of June 30, 1946, these expenditures amounted to \$22,160.91. In January 1947, a 1946 liability was paid in the amount of \$1,229.48, and on February 17, 1947, a bill in the amount of \$707.62 for services contracted on November 25, 1946 was submitted for payment of which one item of \$150.45 was disallowed by the Comptroller's Bureau. On May 5, 1947, a corrected bill was submitted for \$557.17 and passed for payment.

DIVISION OF EMPLOYMENT SECURITY

General: Funds for unemployment compensation payments and administration of the State Department of Employment Security are provided for by a maximum tax of 3% assessed against pay rolls. Funds expended in Massachusetts for these purposes are provided for or offset entirely by collections from employers within this Commonwealth. Employers with good records for continuous employment are permitted reductions from the maximum levy of 3%, and, as a result of unusually good business conditions during the past few years, the percentage of this tax to many employers has been reduced to as little as .5%.

Irreducibly included in this tax is an assessment of .3% collected from employers which, while it is not segregated for this purpose, offsets the sums provided by the Federal Government to administer unemployment compensation. Under this levy, from available records it is estimated that Massachusetts employers have paid to the Federal Treasury since the beginning of this program a total in excess of \$61,000,000.00. As an offset to this Federal revenue, the Commonwealth has had returned to it for administration of the State Division of Employment Security approximately \$22,700,000.00, or approximately 37% of the total collected from Massachusetts employers. It was not possible to determine from this audit if any part of the excess collected from Massachusetts has been distributed to other States; however, it is understood that in total, up to the present time the Federal Government has collected \$800,000,000.00 more than has been returned to the various states. Of this surplus, Massachusetts taxpayers have contributed approximately \$38,500,000.00; yet, despite this large surplus, the Massachusetts Division of Employment Security has been held by the Federal Social Security Board (which agency controls the distribution of administrative funds) to a bare minimum of the funds necessary for proper and current administration.

It is not proper operation in government to thus accumulate needless surpluses in restricted funds as a result of excessive taxation. To correct this situation, the present Federal surplus in these collections should be distributed to various states in the same proportion by which it was accumulated, and the provisions of the law should be altered so that these funds will henceforth be collected directly, retained, and administered by the various states. If this procedure is adopted, and these funds, when collected, are reserved only for administration of the Division of Employment Security, it is entirely reasonable

to expect, in consideration of the prevailing surplus and on the basis of normal administrative costs, that an immediate and substantial reduction in the present rate of this tax can be anticipated by Massachusetts employers and taxpayers.

Legislation affecting these changes cannot be enacted by the Massachusetts General Court, but must be ordered by Congress.

Payment of Claims: As a part of this audit, a survey was conducted to determine the currency of the processing and payment of claims by the Division.

Claims received by the State office from local offices were examined over a period to determine if delays existed locally in forwarding claims to the State Office. No unusual or unavoidable delays were noted.

Claims referred to the Determination and Adjustment Division of the main office for review and determination were also examined, and despite the involved nature of many of the claims referred to this section, no unnecessary delays were found.

The only section of the entire Division where any considerable number of claims were found to be pending was in the Board of Review and as of November 14, 1947, there were 8,367 benefit claims and 1,180 readjustment claims waiting settlement by that unit. By way of further analysis, the claims waiting review by the board from only one of the twenty-two district offices were aged and the following schedule indicates the length of time these claims had been held by the board:

| DATE RECEIVED BY BOARD OF REVIEW | | | | | | | | | | NUMBER OF CLAIMS | |
|-------------------------------------|---|---|---|---|---|---|---|---|---|------------------|----|
| 1947 | | | | | | | | | | | |
| January | . | . | . | . | . | . | . | . | . | . | 1 |
| February | . | . | . | . | . | . | . | . | . | . | 7 |
| March | . | . | . | . | . | . | . | . | . | . | 29 |
| April | . | . | . | . | . | . | . | . | . | . | 31 |
| May | . | . | . | . | . | . | . | . | . | . | 35 |
| June | . | . | . | . | . | . | . | . | . | . | 39 |
| July | . | . | . | . | . | . | . | . | . | . | 24 |
| August | . | . | . | . | . | . | . | . | . | . | 30 |
| September | . | . | . | . | . | . | . | . | . | . | 15 |
| October | . | . | . | . | . | . | . | . | . | . | |
| November | . | . | . | . | . | . | . | . | . | . | |
| | | | | | | | | | | 211 | |

While this condition is not desirable, the fault lies not with the Board of Review, for sufficient experienced personnel has not been allowed to the Board for current processing of claims. Settlements require extensive knowledge of all laws and regulations relating to unemployment compensation, and while additional personnel has recently been transferred from the main office of the Division of Employment Security to this work, it is extremely unlikely that the work of the Board of Review will be current before April 1948, and in the meanwhile the main office will be severely handicapped as a result of this transfer of the more experienced employees. Responsibility for the situation rests with the Social Security Board, for sufficient funds have not been made available to the Division to provide the needed personnel for this work.

Reconciliation of Bank Accounts: Previous audit reports have stated:

"The benefit payment bank account and the veterans' readjustment benefit bank account were not reconciled because the division had not reconciled these accounts since as of October 15, 1945 and as of December 11, 1945, respectively.

"On February 3, 1947, the date of this audit, the same situation existed as the last complete reconciliation of the benefit payment bank account was as of April 30, 1946 and the last complete reconciliation of the veterans' readjustment account was as of March 31, 1946."

Both of these accounts were reconciled during the current audit and in this connection, it was noted that there were 2,316 outstanding checks totaling \$26,159.00, dating from 1938 to 1946, on the Benefit Payment Account. Included in the Readjustment Account were 694 outstanding checks totaling

\$13,731.00, dating from 1944 to 1946, and it is recommended that checks one year old or more be canceled and the proceeds set up in an Unpaid Check Fund.

Adjustments totaling \$49,171.00 were found necessary in reconciling the Benefit Payment Account, and similar adjustments totaling \$48,974.00 were needed to effect a reconciliation of the Readjustment Account. These adjustments to correct errors made in charging checks to the wrong account, duplicate listings, and errors in check listings, resulted almost entirely from intermingling of Veterans' Readjustment and Unemployment Compensation checks at the bank, since both the Benefit Payment and Veterans' Readjustment bank accounts are placed with the same depository. The use of different colored checks for these accounts has apparently not provided sufficient protection in this matter.

In the reconciliation of the bank accounts, it was noted that a total of \$587.00 in duplicate payments, listed as fraud cases, were being held. In these cases the payee had apparently reported non-receipt of the original check and a duplicate check was issued to him. Later it was found that both checks had been cashed and apparently by the same individual. There is an obvious lack of control in the handling of these matters within the Division, for it was noted that in practically every instance the duplicate check, issued to the payee, had been issued after the original check had been cashed.

Relation of Benefit Payments to Employer Contributions: It was noted that for the fiscal year ended June 30, 1947, the benefit payments were again in excess of the Employer Contributions, as follows:

FISCAL YEAR ENDED JUNE 30, 1947

| | |
|---|------------------------|
| Benefit Payments | \$48,997,580.22 |
| Less: | |
| Checks returned, refunds, etc. | 70,706.35 |
| Net Benefit Payments | <u>\$49,068,286.57</u> |
| Employer Contributions and Interest | \$28,170,483.85 |
| Interest Credited by U. S. Treasury | 3,830,113.74 |
| | <u>\$32,000,597.59</u> |

It was also noted that a similar situation prevailed during the period from July 1, 1947 to October 9, 1947, of the 1948 fiscal year.

PERIOD OF JULY 1, 1947 TO OCTOBER 9, 1947

| | |
|---|------------------------|
| Benefit Payments | \$16,957,639.01 |
| Less: | |
| Checks returned, refunds, etc. | 26,029.65 |
| Net Benefit Payments | <u>\$16,983,668.66</u> |
| Employer Contributions and Interest | \$ 9,265,467.34 |
| Interest Credited by U. S. Treasury | 914,037.81 |
| | <u>\$10,179,505.15</u> |

Payments exceeded Employer Contributions during the 1946 fiscal year by \$10,042,814.40 as stated in the previous audit report.

Debit Memoranda: Quarterly contribution reports as submitted by the employers are examined by the audit section of the Contributions Department of the Division, and if it is determined that additional amounts are payable to the division, debit memoranda are made out and the amount determined to be due from each employer is posted to the employer ledger account in the accounts section.

Debit memoranda are also made out by the cashier's section when checks received in payment of contributions are returned by the bank.

The total amount of debit memoranda is reflected in the division's general ledger.

Delinquent Employer Reports: In addition to the amounts included in the debit memoranda, there are cases where employers have not submitted quarterly

wage reports, consequently the amounts due are not known. Figures compiled by the Collections Section of the Employers' Reports Department of the Division show employers delinquent in filing reports as of December 31, 1946 to be as follows:

| | EMPLOYERS |
|----------------------------|-----------|
| Newly Declared | 1,539 |
| Field Audit | 782 |
| Legal Department | 244 |
| Status Review | 20 |
| | <hr/> |
| | 2,585 |
| | <hr/> |

Financial Reports: It was noted that the trial balance of the general ledger as shown in the financial report of September 30, 1947, does not contain the two accounts relating to Veterans' Readjustment Allowances, namely, the Readjustment Allowance Fund Account and the Readjustment Allowance Receivable Account, together with their offsetting credit accounts. As these accounts represent funds handled by the Division, they should be included.

MENTAL HEALTH

Special Appropriation—Purchase and Installation of Tabulating and Business Equipment: A special appropriation of \$37,000.00 was authorized for this purpose by Chapter 685 of the Acts of 1947, Item 1701-22. A machine purchase agreement was drawn up by Remington Rand Inc. with a purchase price of \$35,705.00, and a requisition to purchase the equipment at this price was forwarded to the State Purchasing Bureau.

Purchase of tabulating equipment would be a radical Departure from the general practice of the Commonwealth.

In this connection the following letter was forwarded to the Governor by this Department:

C O P Y

November 14, 1947

His Excellency
Robert F. Bradford
State House
Boston, Massachusetts

Your Excellency:

In view of your recent letter calling for economy in State administration, it seems most appropriate at this time to remind you of our recent conversation regarding the contemplated purchase of business machines by the Department of Mental Health.

As I stated, at the time, three companies have bid on this installation. One, a bookkeeping machine company, has offered to sell their equipment at a cost of \$2,200.00. The other two bids were received from tabulating companies, one which has bid \$35,705.00 for the outright sale of their equipment and has offered to rent the same equipment for \$578.00 a month. The other tabulating company has offered rental of their equipment at \$280.00 a month.

At the time of our conversation, you promised to examine this situation, and while I have received no further word from you, may I call your attention to the fact that the Department of Mental Health has, within the past twenty-four hours, issued a requisition for the purchase of tabulating equipment from the second company, at a cost approximating \$36,000.00. The Department of Mental Health, in proposing to purchase tabulating equipment, ignores the accepted practice of the Commonwealth, for all other departmental installations of tabulating equipment have been rented, e.g., the Comptroller's Bureau, the Department of Public Works, the Division of Employment Security, to name the largest. This practice of rental has been based on the generally

accepted and well-known fact that tabulating equipment depreciates rapidly, and after five years usage is worth only ten cents on the dollar. If, on the contrary, complete investigation by the Department of Mental Health has proved that it is proper and economical to purchase this equipment, then the same calculations must apply to all other State agencies, and it follows that it is proper and economical to purchase this same equipment for the Comptroller's Bureau, the Department of Public Works, and the Division of Employment Security.

In the interests of the economy which you have called for, I therefore suggest that you call upon the Commission on Administration and Finance to decide whether the Commonwealth of Massachusetts should now purchase *all* tabulating equipment, or whether the Department of Mental Health shall rent this equipment in accordance with the present practice of other State agencies. The Commission should also be called upon to determine whether this work can be done on the bookkeeping machines which have been offered at the price of \$2,200.00, and a saving of approximately \$33,000.00 to the Commonwealth.

Very truly yours,

THOMAS J. BUCKLEY
Auditor

TJB:KS

As of December 15, 1947 no purchase order for this equipment had been issued by the Purchasing Bureau.

Collection Cost per Dollar of Institution Income: A statement was prepared showing the collections account of board for the 1943, 1944, 1945 and 1946 and 1947 fiscal years in relation to the cost of maintaining the Division of Probate and Support for those years.

This statement shows that the collection cost per dollar was as follows:

| YEAR | COLLECTION COST PER DOLLAR | | | | | | | | | |
|------|-------------------------------|---|---|---|---|---|---|---|---|--------|
| 1943 | . | . | . | . | . | . | . | . | . | \$.036 |
| 1944 | . | . | . | . | . | . | . | . | . | .036 |
| 1945 | . | . | . | . | . | . | . | . | . | .035 |
| 1946 | . | . | . | . | . | . | . | . | . | .0357 |
| 1947 | . | . | . | . | . | . | . | . | . | .0401 |

Cash Book—Patients' Funds: It is suggested once again that a new cash book be provided to take care of cash transactions in the patients' funds. It is also suggested that all columns in the patients' cash book be footed, the cash book be balanced monthly, and that a cash balance be carried forward each month. All entries in this cash book should be made in ink, and corrections should be made by entering the correct figure over the figure to be replaced, not by erasure.

Accounts Receivable—Institution Board: Billing of persons included in the accounts of the Boston Psychopathic Hospital has been transferred to that institution since the date of the last audit, but 175 delinquent accounts are still being carried on the books of the Department. These accounts total \$3,207.55, and with the exception of \$580.00 of so-called soldier accounts, have been outstanding for several years. It is suggested that the collectible accounts be transferred to the Boston Psychopathic Hospital, and the remainder be turned over to the Attorney General for disposition.

Accounts Receivable Balance—Institution Board: The control account balance on September 5, 1947 was \$1,110,352.29, a net figure decreased by credit balances of \$3,364.11 which represent advances and overpayments. The total due on that date was \$1,113,716.40 of which \$279,146.17 represented 1947 charges and accounts totaling \$235,775.73 which have been referred to the Attorney General for collection. The balance of \$598,794.50 represents 1946 and prior year charges, not with the Attorney General.

Accounts Receivable—Institution Board—Charge-Offs: During the period of the audit \$191,705.58 was credited to the accounts receivable control account

as charge-offs or adjustments. Of this total \$63,267.25 was by authority of the Attorney General, \$85,054.51 by authority of the Department, and \$43,383.82 as corrections and adjustments. The previous audit report showed a total figure of \$216,675.26 charge-off for the period of eleven months ended June 30, 1946.

Journal Entries—Institution Board Accounts Receivable Charge-Offs and Credits: It is suggested that all journal entries of charge-offs and credits include an explanation, indicating the amount of the charge-off authorized by the Attorney General, the amount authorized by the Department, the amount representing corrections of bills and the amounts representing correction of errors. It should also show a breakdown by institutions as well as the individual accounts and amounts included in the total. At present the journal entry shows only the amount to be credited to the Institution Accounts Receivable Control in the general ledger.

Case Histories: Many case histories are filed without a notation as to whether or not the case will be reimbursing. It is suggested that all case histories filed should include this information and that the signature of the visitor who handled the case should appear on each. The previous audit report commented that between five and ten per cent of the case histories were not found and while this condition is somewhat improved, there is still need for further improvement.

Support Cases—Financial Information: It is suggested that further consideration be given to the possibility of obtaining a financial history of relatives of persons committed to an institution who have a responsibility to pay for the support of persons committed. It is understood that a sample form of questionnaire has been prepared by the Division of Probate and Support, but has not been put into effect, awaiting the possible installation of billing machines. The questionnaire, if put into effect, would be made out when a person is committed. It would appear that such a move would make for quicker billing and would facilitate collections on charges for board.

Wage Reports—Supervised Girls: It is again suggested that monthly wage reports show unpaid balances due from previous months, and such unpaid balances should be carried until a disposition of the balance has been made. If a monthly wage report shows an overpayment to a girl, such overpayment should be carried forward until disposition has been made. If it is the intent of the employer to credit the girl with an overpayment, a statement should be written by the employer to that effect.

BELCHERTOWN STATE SCHOOL

Materials and Supplies: Adjustments made during the audit period were examined and tabulated. Overage adjustments aggregated \$1,605.37 and shortage adjustments aggregated \$951.57.

Farm: The 1946 annual farm report shows shrinkage and spoilage of \$3,897.87 of which \$1,588.41 was included as cost items. The balance of \$2,309.46 was not included as cost items on the respective project sheets.

Monthly farm reports for 1946 and 1947 farm years were tabulated and the mortality rate of poultry, from the purchase as chicks to the time of slaughter for the following flocks:

| CHICKS YEAR | PURCHASED NUMBER | SLAUGHTERING YEAR | DEATHS TOTAL | MORTALITY RATE OF |
|----------------|---------------------|----------------------|-----------------|----------------------|
| 1945 | 3,000 | 1946 | 633 | 21.1 % |
| 1946 | 3,000 | 1947 | 980 | 32.67 % |
| 1947 | 3,000 | 1948* | 576* | 19.2 %† |

* Tabulated through December 31, 1947.

† Rate through March 29, 1948 increased to 24.5%.

Funds of Paroled Patients: The earnings and savings of patients on parole are not recorded on the financial records of this institution.

A list of patients on parole was established and the earnings of these patients were compiled for the period from December 1, 1946 to November

30, 1947. This compilation showed earnings for the period as \$37,861.34. Quarterly wage reports submitted by the employers were checked against the compilation of earnings.

Paroled patients are permitted to keep their bankbooks in their possession and make the deposits in their savings accounts. The bank accounts, in most cases, are in the name of the Belchertown State School, subject to withdrawal by the superintendent or the assistant superintendent. On June 30, 1947, the Social Service department tabulated the balances in savings accounts of paroled patients and confirmed the balances by correspondence with the various depositories. This tabulation, of 144 bank accounts, showed balances aggregating \$34,939.31.

Previous audit reports stated:

"Apparently there is no uniform method established for recording this type of activity in the three institutions of this type in the Department of Mental Health, and it is therefore recommended that the Comptroller review this section of the three institutions activities, so that a uniform method of recording earnings of paroled patients will be a part of the financial records of each institution."

Attention is again called to the following recommendations covering the recording of earnings of paroled patients:

1. Control accounts be established on the financial records of the institution.
2. Subsidiary records for each paroled patient showing earnings, payments to and/or expenditures made for the patient and the amount of savings be established.

BOSTON PSYCHOPATHIC HOSPITAL

Accounts Receivable: There are several items of outstanding accounts of several years which are to all appearances uncollectible. It is recommended that the proper authority be obtained to charge these items off. They include the following:

| | | | | | | | | |
|------------------|------|---|---|---|---|---|---|----------------|
| Sale of Barrels | 1942 | . | . | . | . | . | . | \$.05 |
| Copy of Records | 1940 | . | . | . | . | . | . | 5.00 |
| Laboratory Tests | 1942 | . | . | . | . | . | . | 2.00 |
| Laboratory Tests | 1936 | . | . | . | . | . | . | 2.00 |
| Laboratory Tests | 1935 | . | . | . | . | . | . | 4.00 |
| Laboratory Tests | 1934 | . | . | . | . | . | . | 14.00 |
| | | | | | | | | <u>\$27.55</u> |

During the period under audit admissions totaled 1,290 and were placed in the following categories:

| | |
|--------------------------------------|--------------|
| Payment Agreed Upon | 245 |
| Court Commitments | 512 |
| Deer Island House of Correction | 7 |
| Veterans Administration | 4 |
| Federal Court | 1 |
| Charles Street Jail | 7 |
| Middlesex County House of Correction | 1 |
| Department of Public Welfare | 1 |
| Division of Child Guardianship | 1 |
| Concord, N. H., Escapee | 1 |
| Unable to Pay | 494 |
| Status Unknown | 14 |
| Feel They Shouldn't Pay | 2 |
| Total | <u>1,290</u> |

From the foregoing, it will be seen that 245 or approximately 19% agreed to pay for their board at admission.

Those that agreed to pay made arrangements as follows:

| | | | | | | | | | | |
|------------------|---|---|---|---|---|---|---|---|---|------------|
| \$ 2.50 per week | . | . | . | . | . | . | . | . | . | 1 |
| 4.00 per week | . | . | . | . | . | . | . | . | . | 1 |
| 4.50 per week | . | . | . | . | . | . | . | . | . | 1 |
| 5.00 per week | . | . | . | . | . | . | . | . | . | 30 |
| 7.00 per week | . | . | . | . | . | . | . | . | . | 67 |
| 7.78 per week | . | . | . | . | . | . | . | . | . | 1 |
| 8.00 per week | . | . | . | . | . | . | . | . | . | 1 |
| 10.00 per week | . | . | . | . | . | . | . | . | . | 31 |
| 14.00 per week | . | . | . | . | . | . | . | . | . | 14 |
| 15.00 per week | . | . | . | . | . | . | . | . | . | 8 |
| 20.00 per week | . | . | . | . | . | . | . | . | . | 4 |
| 21.00 per week | . | . | . | . | . | . | . | . | . | 6 |
| 21.50 per week | . | . | . | . | . | . | . | . | . | 1 |
| 25.00 per week | . | . | . | . | . | . | . | . | . | 3 |
| 28.00 per week | . | . | . | . | . | . | . | . | . | 2 |
| 30.00 per week | . | . | . | . | . | . | . | . | . | 1 |
| 35.00 per week | . | . | . | . | . | . | . | . | . | 9 |
| 42.00 per week | . | . | . | . | . | . | . | . | . | 1 |
| 50.00 per week | . | . | . | . | . | . | . | . | . | 1 |
| 60.00 per week | . | . | . | . | . | . | . | . | . | 59 |
| 8.80 per month | . | . | . | . | . | . | . | . | . | 1 |
| 24.00 per month | . | . | . | . | . | . | . | . | . | 1 |
| 30.00 per month | . | . | . | . | . | . | . | . | . | 1 |
| | | | | | | | | | | <u>245</u> |

Outstanding accounts on the date of audit totaled \$64,473.79 as follows:

| YEAR | ACTIVE LEDGER | SUSPENSE LEDGER | TOTAL |
|--------------------|---------------|--------------------|--------------------|
| 1947 | \$ 4,614.43 | — | \$ 4,614.43 |
| 1946 | 4,649.13 | — | 4,649.13 |
| 1945 | 5,048.91 | — | 5,048.91 |
| 1944 | 10,639.69 | — | 10,639.69 |
| 1943 | 8,495.22 | — | 8,495.22 |
| 1942 | 11,073.77 | — | 11,073.77 |
| 1941 and prior | 8,576.66 | — | 8,576.66 |
| 1941 | — | \$ 12.86 | 12.86 |
| 1940 | — | 2,918.03 | 2,918.03 |
| 1939 | — | 1,826.54 | 1,826.54 |
| 1938 | — | 2,052.72 | 2,052.72 |
| 1937 | — | 1,688.90 | 1,688.90 |
| 1936 | — | 1,088.31 | 1,088.31 |
| 1935 | — | 1,228.83 | 1,228.83 |
| 1934 | — | 477.20 | 477.20 |
| 1933 | — | 68.59 | 68.59 |
| 1932 | — | 14.00 | 14.00 |
| <u>\$53,097.81</u> | | <u>\$11,375.98</u> | <u>\$64,473.79</u> |

It is recommended that all accounts in the active ledger originating prior to 1945 be transferred to the suspense ledger and that the necessary authority be obtained to charge off all accounts in the suspense ledger originating prior to 1940.

The law provides for the examination of prisoners under sentence. Question is raised as to the propriety of charging the committing authority for board involved. Such commitments were as follows during the audit period:

| | | | | | | |
|--------------------------------------|---|---|---|---|---|-----------|
| Deer Island House of Correction | . | . | . | . | . | 7 |
| Veterans Administration | . | . | . | . | . | 4 |
| Federal Court | . | . | . | . | . | 1 |
| Charles Street Jail | . | . | . | . | . | 7 |
| Middlesex County House of Correction | . | . | . | . | . | 1 |
| | | | | | | <u>20</u> |

General: There is no record of any accounts having been turned over to the Attorney General for collection. Accounts considered uncollectible are charged off under instructions of the Settlement Division of the Department of Mental Health. Under the law the Department of Mental Health apparently has the authority to make rates for this institution but no authority can be found for the cancellation charges once they have been entered and billed.

As a test of the accuracy of charges, verification notices were mailed to 73 open accounts with the following results:

| | |
|---------------------------------------|-------|
| Returned, charges correct | 22 |
| Unable to locate | 5 |
| Uncertain as to correctness | 1 |
| Claims no bill received | 2 |
| Refuses to pay | 1 |
| Claims unable to pay | 1 |
| No satisfactory comment | 2 |
| Not returned | 39 |
| | <hr/> |
| | 73 |
| | <hr/> |

BOSTON STATE HOSPITAL

State Bank Account: It was noted during the reconciliation of the State bank account that some checks have been outstanding for several years.

A spending agency is required to stop payment on all checks, except those issued for salaries or wages, which have been issued payable from the Commonwealth's funds and have not been cashed by the payee within one year from the date of their issue.

It is recommended that these checks be set up in an account "Unpaid Check Fund."

Account Indicated as Being with the Attorney General Not Found in That Office: The balance shown in the suspense accounts receivable account on May 19, 1948 was \$87.43. This account represented sales of grease to an individual in 1937. The amount was apparently sent to the Attorney General in 1938. No record could be found of this item on the records of that office.

It was suggested to the institution treasurer on June 5, 1948 that the account be resubmitted to the Attorney General.

It was noted that the Attorney General authorized the institution to charge off this account in a letter dated June 15, 1948.

Special Pay Roll Bank Account: The Accounting Manual issued by the Comptroller's Bureau, with reference to the cashing of pay roll checks, states as follows:

"A Spending Agency must stop payment on all checks, expecting those issued for Salaries and Wages, which have been issued payable from the Commonwealth's funds and have not been cashed by the payee within one year from the date of their issue. These amounts must be paid into the State Treasury to be credited to the Unpaid Check Fund. In the case of checks issued on account of Salaries and Wages, payment must be stopped three months after the date of issue."

On May 19, 1948, the date of the current examination, there were 137 checks totaling \$1,518.24 outstanding for more than three months, the ages, in fact, varied between three and thirty months.

It is recommended that the procedure ordered in the Accounting Manual be immediately adopted.

Reconciliation of Special Pay Roll Bank Account: Bank statements are rendered semi-monthly to the Treasurer's Office on this account, yet on May 19, 1948, this account had not been reconciled since January, 1948, a period of four and one-half months. During the course of this audit, the account was brought up to date and the bank statement reconciled on June 22, 1948, five weeks after the audit commenced.

In the course of the reconciliation, four adjustments were required. Two resulted from duplicate payments, one was attributed to an error in a pay roll deduction check, and the fourth was an error in the September, 1947 bank statement.

It is recommended that henceforth this account be reconciled currently.

Funds of Discharged Patients: The previous audit report stated in part:

"Comment was made in the prior audit report regarding the large number of ledger cards showing balances for discharged patients. The same situation prevails during the current audit period and is caused, for the most part, by the discharge of patients at times when the treasurer's office is closed.

"The institution has on hand notification blanks which the authorities intend to send to the patient or his family indicating what personal property is in the institution's possession. This is expected to improve the present condition of the discharged and deceased patients' funds on hand."

Despite the comments contained in previous audit reports and the fact that the institution has initiated a form of patients' clearance, the same condition prevails.

Aging of the patients' funds during the current examination disclosed the fact that the balances in discharged patients' accounts amounted to \$947.43.

Primarily this balance is made up of small amounts representing the funds of 414 discharged patients, of which more than 100 were added within the past 15 months.

Apparently the lack of coordination between the departments discharging the patients and the treasurer's office has brought about this condition, and it has created a great deal of additional work on patients' funds.

It is recommended that the institution install an effective patients' clearance system whereby every patient being procured for discharge would be required to clear through the treasurer's office.

Multiple Sclerosis Research Fund: This fund was approved by the Board of Trustees February 18, 1948. An excerpt from the minutes of the meeting of the Board of Trustees on this date reads as follows:

"Dr. Barton reported that the National Society for Multiple Sclerosis, organized in New York for the advancement of research into the subject of multiple sclerosis, had chosen the Boston State Hospital for this project and \$14,600.00 would be deposited during the coming year, the money to be spent largely for personnel. The Trustees were requested to approve the creation of the fund, to be known as the Multiple Sclerosis Research Fund, to be administered by the hospital, under the authority of the Chairman of the Board of Trustees. Motion was made and seconded that the hospital accept the money for the creation of this fund. All were in favor."

The first cash grant of \$8,600.00 for this fund was made on March 15, 1948, for a period of one year. Subsequent grants of \$3,000.00 each are to be made on July and December 15, 1948. Grants received by the hospital are subject to the following policies and rules established by the National Multiple Sclerosis Society:

1. Semi-annual accountings of expenditures under a grant must be made to the National Multiple Sclerosis Society as of September 15, 1948 and March 15, 1949, covering the preceding six months periods. The Society reserves the right to appoint accountants to audit the financial records of grantees insofar as they relate to a grant.
2. Semi-annually, as of September 15, 1948 and March 15, 1949, a grantee must render a detailed report to the Society on the progress of the work conducted under the grant.
3. All apparatus or materials purchased and all scientific equipment, instruments and products built, prepared or manufactured with

funds of the Society are to be held as its property unless otherwise agreed upon in writing and upon termination of the grant are to be subject to disposition by the Society.

4. Grant funds shall at all times remain the property of the Society and any part not used in conducting the program for which the grant was made shall be returned to the Society on termination of the grant.

Patients' Rehabilitation Fund: This fund was approved by the Board of Trustees April 16, 1947. An excerpt from minutes of the Trustees' meeting on this date is as follows:

"Dr. Barton recommended the establishment of a 'Patients' Rehabilitation Fund.' This fund to be a drawing account for various purposes for which there is no budgetary provision, and to be obtained from two sources—one, the charging of \$1.00 each for the filling out of insurance forms and secondly, the money received from organizations and talks given by physicians in the community. On motion made and seconded, it was moved that this recommendation in regard to the establishment of the fund be adopted. All were in favor."

The main purpose of this fund is to assist discharged patients by giving them a small loan when such is deemed necessary by the hospital social worker.

Receipts of this fund have been derived from small donations, and voluntary contributions from various individuals who have had insurance forms filled out by institution personnel.

In connection with this fund it was noted that in practically all instances there were no supporting vouchers to determine the source of donations and voluntary contributions.

It is recommended that vouchers be kept, indicating the source and amount of money coming into this fund.

DANVERS STATE HOSPITAL

Patients' Funds: It was noted that the entire funds of the inmates are in a checking account in the Danvers National Bank with the exception of about \$250.00 in office cash. On the date of audit there was \$17,999.73 in this checking account. It is understood that the bank will not allow any part of this fund to be placed in a savings account unless they make charges for the commercial checking account. As far as is known, this is the only bank in the state holding state funds that makes this demand. It is felt that this is not protecting the funds of the patients to the full extent in allowing the large balance to remain in the checking account. It is suggested that some other bank in the neighborhood be consulted with the idea of opening a savings account for at least \$10,000.00 of this fund and carrying the balance in a checking account without charges being made for the service.

Farm: An examination of the animal census reports reveal that of 291 pigs born in 1946, 33 died and 16 were destroyed. This rate of 16.8% appears excessive.

The rate percent of shrinkage on the following crops appears excessive:

| | |
|------------|-----|
| Clover #1 | 30% |
| Clover #2 | 74% |
| Oat Hay | 28% |
| Stock Hay | 44% |
| Onion Sets | 58% |
| Turnips | 32% |

It was noted that milk production for the 1946 year was about 72% of the normal amount expected of Holstein herds. It was explained that this condition was due originally to a fire which destroyed the cattle barn in 1941, making it necessary to distribute the herd among other institutions. When a new barn was erected, it became necessary to start a new herd with

a nucleus of cows contributed by the other institutions which, naturally, were not the best of the herd. Production has gradually increased so that it is expected that in another year or two it will be up to the normal average expectations of Holstein cattle.

MEDFIELD STATE HOSPITAL

Patients' Funds: It was noted that the inmates' cards do not show valuables in the custody of the institution. This is due to the fact that in this institution the valuables are not in the care of the treasurer, but are accounted for by the record office.

One patient (A.F) has in the patients' account a balance of \$2,237.13. It is recommended that the greater part of this amount be placed in a savings account, so that interest may be earned.

It was noted that the balance in the commercial account was \$10,692.41 on the date of audit. It is recommended that all cash beyond a predetermined amount should be transferred to savings accounts so that interest may be earned.

Among the patients' bankbooks were 16 books which should be sent to the banks concerned for the addition of interest and verification. On these books no entries have been made for 4 to 18 years. There are also three which should be turned over to the Department of Mental Health as the owners have been discharged more than ten years.

Prior to August 1947 the patients' cash book showed an adequate analysis of receipts and payments, but since then no analysis has been available.

Canteen: The canteen checking account on the date of audit amounted to \$5,397.63. It is recommended that the greater part of this balance be transferred to savings accounts.

It is recommended that more care be exercised in punching the cash register and making change. In the past 6 months overages of \$38.37 and shortages of \$10.71 were noted in the register tapes. It is also suggested that the cash register be placed in another location making the reading on the register accessible to those making purchases.

The propriety of certain payments on account of benefits is questioned. It is true that these expenditures have the approval of the Mental Health Department, but it would appear that they should be legitimate maintenance expenses.

| | |
|---|----------|
| Painting Club Room | \$680.00 |
| Curtains for Club Room | 321.45 |
| Lumber, Lime, etc., for Library | 115.98 |
| Repairs to Club Furniture | 63.45 |
| Paint for Benches | 44.09 |

It was noted that the canteen ledger was posted only to June 30, 1947.

METROPOLITAN STATE HOSPITAL

Accounts Receivable: There is no accounts receivable ledger in use at this institution. The Comptroller's Bureau Accounting Manual provides for such a folio. The treasurer should arrange to get the necessary supplies to put this in effect as soon as possible.

Charges for food overdrafts are not made until the invoice is paid. These charges should be made and entered as soon as the amount is determined and carried as outstanding accounts until payment is received.

Farm Audit: It was noted, that the waste in the canning room was charged to the farm in the 1946 farm records. It was explained to the farm clerk that this waste should be charged to the institutions. Inasmuch as the 1947 books are closed, the same condition will appear in the 1947 report when completed. The total amount involved for which the farm should have received credit was \$54.52 and included string beans, onions, peppers and tomatoes.

Manure credits of \$273.40 appear under poultry, but no charge could be found on any project sheet nor does it appear on the annual inventory sheet. Meadow hay produced was 3 tons, with a value of \$15.00. No labor or other charge appears against this project.

It was noted that the 1945 farm report showed a loss of \$1,861.33 in the garden project, while in 1946 the profit was \$4,658.85, a net change of \$6,520.18. The difference appears to revolve principally around the analysis of labor and board of employees:

| | 1945 | 1946 |
|----------------------------|-------------------|-------------------|
| Labor of employees | \$6,409.68 | \$2,369.08 |
| Board of Employees | 1,521.41 | 356.77 |
| | <u>\$7,931.09</u> | <u>\$2,725.85</u> |

The steward explained that this matter had already been brought to his attention and that the 1945 charges to the garden included items which should not have been charged, but should have been charged against the institution and farm general.

An item of sales of turnips appears on the farm records in April 1946 for which no account could be given. There were no sales slips nor did any such sale appear in the financial report. Investigation showed that this was probably a duplication of entries for sales made in the previous month and totaling the same amount.

The following sales appearing in the financial report were not found in the annual financial report:

| | |
|----------------------|----------------|
| Grain bags | \$40.00 |
| Hay | 1.00 |
| Lettuce | 1.00 |
| Horse | 1.00 |
| | <u>\$43.00</u> |

The practice of selling tons of vegetables to other institutions at the rate of \$1.00 per load appears very unfair to the institution which has spent considerable money raising these vegetables. The farm rates provided by the Comptroller are very low, and it would seem more equitable to sell at the established farm rate. It was further noted that vegetables were sold to the State Prison at \$1.00 per load, while Boston Psychopathic Hospital, was charged the farm rates for comparable vegetables.

MONSON STATE HOSPITAL

Nurses' Training School Fund: Attention has been called to this fund in previous audit reports which recommended that this fund revert to the State Treasurer. During the period under examination the only activity in this account was the receipts of interest on the savings account. In this connection an opinion was requested of the Attorney General under date of March 3, 1943, with reference to the disposition of this fund. The Attorney General's opinion reads in part:

"It appears that the fund in question should not be turned over to the State Treasurer, nor should it be applied at the present time to any particular use until such time as a judicial decree has been rendered with respect to its application."

The balance in this fund on July 1, 1947 was \$1,141.57.

NORTHAMPTON STATE HOSPITAL

Patients' Valuables: Previous audit reports included a recommendation that the Comptroller's Bureau set up a Trustee Account in the financial records of this institution for the control of patients' bankbooks.

A tabulation of bank account balances, war savings bonds, gold and notes on hand, January 13, 1948, showed the following:

| | |
|--------------------------------|--------------------|
| Bank Accounts | \$13,886.39 |
| War Bonds and Stamps | 483.10 |
| Gold | 20.00 |
| Miscellaneous Notes | 20.00 |
| | <u>\$14,409.49</u> |

As, to date, no trustee accounts have been set up on the control records. Attention is again called to the recommendation.

Appropriation Transfers: Approval of the following transfers within the 1947 maintenance appropriation was not available at the institution for examination in connection with the current audit:

| INCREASE | |
|------------|---|
| 1718-00-03 | Travel, Transportation and Office Expense \$ 600.00 |
| 1718-00-04 | Food 5,000.00 |
| 1718-00-06 | Furnishings and Household 5,000.00 |
| 1718-00-07 | Medical and General Care 3,000.00 |
| 1718-00-08 | Heat and Other Plant Operations 3,800.00 |
| 1718-00-09 | Farm 6,000.00 |
| 1718-00-10 | Garage and Grounds 1,600.00 |
| | <u>\$25,000.00</u> |

| DECREASE | |
|------------|---|
| 1718-00-01 | Personal Services \$25,000.00 |

Repairs and Renewals—1947 Fiscal Year: All charges against the project "Water Cooler-Administration Building" were for the purchase of materials for the project "Renewal of Water Cooler-Dining Hall."

The following projects for 1947 have not been completed:

Floor Covering
 Replacement of Wood Grills
 Plaster and Paint Upper Third, North
 Renewal of Shower Mixtures, North Infirmary
 Water Cooler, Administration Building
 Renewal of Water Cooler, Dining Building
 Cable to First South Transformer Vault

TAUNTON STATE HOSPITAL

Maintenance Stores: The personnel situation in the maintenance store-room has not improved since the previous audit. The test inventory was again taken with the assistance of patients. The person who last held the pay roll designation of permanent storekeeper entered the armed services in June 1943 and has not yet returned. It is understood that the institution authorities have made serious efforts to obtain competent employees, but because of the prevalent employment difficulties they have been unsuccessful to date. The assistant storekeeper, who functions more or less as a receiving clerk, is unwilling to accept the position of acting storekeeper. The meat cutter has likewise declined the position. As a result, services of patients have been necessarily employed, and the value of this type of employee from the point of view of placing responsibility is, of course, obvious. Needless to say, their problem is still a serious one and it is again suggested that the Department of Mental Health be consulted relative to the necessary assistance.

WALTER E. FERNALD STATE SCHOOL

Bookkeeping—General: In common with most other institutions the shortage of help and additional burdens placed on the treasurer's office by requests

of various state control department, has put the school considerably behind in its records although a great deal of overtime has been worked. The pay roll bank account has not been reconciled since June, the general ledger is not current and the stock ledger figures could not be made available until October 16, a month after the audit had started.

Canteen Fund: A canteen fund was started on January 11, 1947. The standard form of canteen records is not in use since at the present time the canteen is not in actual operation. The present fund derives its income from a percentage of the sales of tonic, candy and cigarettes in coin machines. It is planned that when sufficient funds are accumulated, a standard form of canteen will be opened. At the present time there are five candy machines, three cigarette machines, three tonic machines and several gum and nut machines in operation. These are serviced by the owners and when collections are made, the assistant steward accompanies the collector to verify the school's share of the revenue.

Wage Accounts of Inmates on Parole: Previous audit reports have proposed the establishment of a system of handling the funds of inmates on parole. Although assurances have been given that the system would be given study, apparently nothing has been accomplished as yet in this respect.

Selling Prices of Farm Products: Comment should be made on the practice of selling surplus vegetables to other institutions at \$1.00 per load. This practice makes worthless any comparison between various farms since it costs a farmer hundreds of dollars to raise products for which the institution receives a return of only a few dollars. Farm prices are extremely low in relation to actual costs. These products should be charged for at the standard rate set by the Comptroller's Bureau.

WESTBOROUGH STATE HOSPITAL

Receiving of Meats: Previous audit reports have commented on the failure of the institution storekeeper to receive and weigh meats delivered to the institution. The policy in vogue is to have the meat cutter receive and weigh the meat and then send to the storekeeper a memo to be recorded on the receiving records by the storekeeper.

Sale of Cinders: For the period under audit 148 loads of cinders were sold at twenty-five cents per load.

In connection with the sale of these cinders, it will be noted that bids were not received nor is there on file permission from the Purchasing Bureau for such sale.

It is suggested that if this institution does not have use for cinders, that other institutions in the Mental Health group be contacted before they are sold to other sources.

Farm: On date of audit there were two horses at the institution which were not included in the institution's inventory of animals.

From a discussion with the Head Farmer, it was learned that a pair of work horses which belonged to a resident of Sutton, Massachusetts, were loaned to the institution for their keep and had been at the institution since September 1947.

In this connection it will be noted that no approval for such arrangement is on file at the institution. It is understood from a representative of the office of Commission on Administration and Finance that such approval is necessary.

Fresh Vegetables Fed to Swine: The farm report for the calendar year

ending December 31, 1947 shows the following vegetables were fed to the swine:

| | Pounds | Value |
|-----------------------------|---------------|-------------------|
| Cabbage | 39,510 | \$ 790.20 |
| Carrots | 12,983 | 259.66 |
| Turnips | 19,725 | 197.25 |
| Squash—Winter | 7,180 | 143.60 |
| Beets | 1,760 | 35.20 |
| Squash—Des Moines | 405 | 4.05 |
| | <u>81,563</u> | <u>\$1,429.96</u> |

Special Appropriation: Under date of July 31, 1947 the following journal entry was made and ledger accounts opened:

| | | |
|---|-------------|-------------|
| Dr. State Treasurer Special Appropriation | \$41,000.00 | |
| Cr. Special Appropriation | | \$41,000.00 |

In connection with the foregoing entry it will be noted that this entry relates to an allotment made to the institution from an appropriation of \$750,000.00 granted to the Department of Mental Health.

In further connection with the foregoing entry the question arises as to the authorization for the institution to record the entry in question, especially in view of the fact that there is no letter from the Comptroller's Bureau authorizing the institution to set this appropriation upon the institution's records.

METROPOLITAN DISTRICT COMMISSION

Contracts: Two P.W.A. Contracts, Sewerage Division Nos. 78 and 82 have been before the courts for settlement for some years. During the progress of the audit, judgments of \$7,500.00 each were paid on July 17, 1947.

On Contract 78 the Commission voted, on July 24, 1947, to approve payment of the balance of \$2,611.88. This amount has not yet been approved by the Federal Public Works Administration.

Contract Bids: The previous audit report called attention to the fact that bonds had not been secured on contracts where the amount was over \$1,000.00 but under \$5,000.00. It is now noted that all contracts over \$1,000.00 are covered by the proper bonds.

Approximately 62 contracts were placed during period under examination where the work to be done was estimated to be under \$5,000.00.

Accounts Receivable: Returned verification notices showed that two accounts which were carried as due the Commonwealth had already been assessed on a city and town respectively; namely Newton for \$290.00 and Brookline for \$9,283.44. Inasmuch as these amounts were billed in the annual settlement of November 20, 1946, these charges should now be eliminated from the accounts receivable account on the books of the commission.

Accounting for Accounts Receivable Placed with the Attorney General for Collection: At present, accounts receivable which have been referred to the Attorney General for collection are carried on the books of the Commission within the regular accounts receivable account. It is suggested that all accounts with the Attorney General for collection be set up in a Suspense Accounts Receivable in accordance with instructions contained in the Accounting Manual issued by the Comptroller's Bureau.

DEPARTMENT OF PUBLIC HEALTH

Sales of Biological Products: Previous audit reports have stated:

"It is noted that the Public Health Council on August 8, 1944 approved the prices at which five additional products may be sold by the Biological Laboratories."

At this same meeting the Council voted as follows:

"That as soon as personnel shortages permit, a thorough cost estimate of biological products be undertaken with the aid of professional analysis as consultants."

It was again noted that to date of current audit the cost estimates had not been made.

Advances to Clinics: Advances from Federal Grants to Health Departments and Hospitals of Cities, Counties and to the Harvard School of Public Health for the fiscal year 1947 totaled \$126,959.01 as shown by figures taken from subsidiary records of the Department. The records as of June 30, 1946 indicated that \$84,847.19 was spent, \$9,697.00 was returned to the State, \$261.04 to be returned and the balance of \$32,153.78 was encumbered by the various agencies. Proof of the amounts encumbered was established by the agencies with the exception of the City of Boston Health Department. This Department received \$53,750.00, spent \$36,824.00 and records show the balance of \$16,926.00 as being encumbered.

It is suggested that the City of Boston be required to show proof of encumbrances on June 30th of each fiscal year or return the unexpended balance of the advance to the State.

It was noted that two 1946 advances were under question. An advance of \$1,100.00 made to Long Island Hospital had been encumbered, but, according to record, had not been disbursed. There has been a misunderstanding at the agency relative to the proper method of disbursing funds advanced under this plan. An advance of \$5,577.50 to the City of Fall River Health Department had been encumbered, but was under question regarding competitive bids.

Advances were also made to the City of Boston Health Department and to Harvard School of Public Health under Venereal Disease Control. The two advances totaled \$8,175.00, of which \$6,890.75 was disbursed, \$1,284.25 was encumbered.

Advances under Health Education were made to the City of Boston Health Department and to the Barnstable County Health Department. The advances totaled \$10,500.00, of which \$8,047.51 was disbursed, \$2,405.24 was encumbered and \$42.25 was returned to the Department.

Inventories: In this connection the previous audit report stated:

"The department now has on file in the office of fiscal management an individual inventory card for each piece of equipment owned by the department. These inventory cards show considerable detail including values and were compiled in the several divisions of the department. It is understood that the department hopes to set up controls over these inventory records.

"The biologic laboratory at Jamaica Plain was visited and it was noted that a considerable stock of expendable items was being carried in a storeroom and that for each item there was a stock card kept in the office of the laboratory, but there was no record showing the total value of the stock. The department was requested to take an inventory of the items which it did. This inventory showed a total value of \$12,931.92. It is suggested that this matter be called to the attention of the Comptroller's Bureau to determine whether it would be practical to install the standard stock records, including a control account."

It is understood that the Comptroller's Bureau has been contacted and that plans to install a system to control the items in stock in the biologic laboratory at Jamaica Plain are still being considered.

for the 12 months ending March 31, 1941, and the 9 months ending December 31, 1941. In this suit also the Company demurred and at the request of counsel for the Taxpayers, the hearing on the demurrer to the Information in Equity was postponed by the Court until it could be had at the same time as the hearing on the demurrer to the Taxpayers petition. The hearings were completed on November 23, 1942. In addition to extensive oral arguments, briefs were filed by the Commonwealth, the City and the Company."

"In the Attorney General's Information, 'The Judge of the Superior Court who heard the case reserved his decision and on June 9, 1944 entered an Interlocutory Decree overruling the Company's demurrer to the Information in Equity and ordered the case reported to the Supreme Court. His report was filed on June 28, 1944 and upon preparation of papers by the Clerk's Office, the case was entered in the Supreme Judicial Court on September 21, 1944.'"

The case was argued in December of 1944 and on June 3, 1946 the full court overruled the demurrer on condition that the plaintiff amend by changing the case from information to a suit in equity by the Department of Public Utilities.

July 2, 1946 a motion was allowed to substitute the members of the Department of Public Utilities as plaintiffs and to make the necessary amendments to convert the information into a bill in equity.

On July 26, 1946 the Boston Elevated filed its answer to the amended bill by leave of the court.

Although these matters are still on the court docket the creation of the Metropolitan Transit Authority by Chapter 544 of the Acts of 1947 apparently closes this matter as was indicated by the action of the Attorney General in his comments with reference to this.

DEPARTMENT OF PUBLIC WELFARE

Appropriation for Reimbursements to Cities and Towns for Temporary Aid:

It was noted that on December 31, 1947 there was an unallotted balance in this appropriation of \$10,000.00 and an allotted balance of \$7,321.40 or a total unexpended balance of \$17,321.40. It was understood, that on March 1, 1948 there were approved bills from the cities and towns totaling approximately \$360,000.00 which had not been paid. It was also understood that the department has asked the 1948 legislature for a deficiency appropriation of \$350,000.00 so that these bills may be paid.

Aid to Dependent Children—State Share: For the 1948 fiscal year an appropriation of \$3,200,000.00 was granted, to which was added \$84,956.71, the unexpended balance June 30, 1947. To January 1, 1948 the reimbursements paid to the cities and towns during the 1948 fiscal year totaled \$3,204,584.38 which covered payments made by the cities and towns from July 1, 1946 through June 30, 1947, in other words, reimbursements to the cities and towns were at least 4 months behind and by June 30, 1948 will be at least 10 months in arrears, as no further reimbursements can be made until July 1, 1948 when the 1949 appropriation will be available. However, it should be stated, that during each calendar year the cities and towns get reimbursements for 12 months expenditures and that federal reimbursements are made currently.

Old Age Assistance—State Share: For the 1948 fiscal year an appropriation of \$21,975,000.00 was granted. To January 1, 1948 reimbursements to cities and towns totaled \$14,792,697.74 which covered payments made by the municipalities through October 1947. The unexpended balance of \$7,182,302.26 in the appropriation January 1, 1948 is sufficient to reimburse the municipalities only through February 1, 1948.

DIVISION OF JUVENILE TRAINING

Special Bank Account—Boys' Parole Branch: This fund has been set up to reimburse male wards for irregularities which occurred in their savings

accounts during the year 1943 and 1944. Responsibility for these shortages has never been placed, but despite this fact the Trustees, acting independently and upon their own assumption that a deceased employee of the Division was guilty, demanded and received from the widow of the employee the sum of \$1,000.00 to set up this fund.

The full amount of the shortage has never been determined, but the Trustees have paid from this special account various claims as they have arisen and been proven.

In March of 1947 an additional irregularity of \$43.90 was discovered as the result of a letter received from a former male ward recently discharged from military service. This irregular withdrawal took place on March 13, 1944, from the account of ward No. 16632. The receipt for the withdrawal read "Savings in Full—Account Closed" \$43.90. The signature on the receipt was repudiated by the ward who was in military service in March 1944. On March 19, 1947, the above-mentioned ward was reimbursed from the Special Bank Account for the sum of \$43.90.

The reimbursement to the ward was verified by examination of the cancelled check and to statement signed by ward to the effect that he never received the above sum of money on the above date. The Special Bank Account is administered by the Chairman of the Board of Trustees.

A statement of the Special Bank Account as of April 6, 1948, follows:

| | RECEIPTS | PAYMENTS |
|---|-------------------|-------------------|
| Trustees | \$ 475.00 | |
| Contribution | 1,000.00 | |
| Reimbursements a/c Payments to Sundry Wards: | | |
| To Former Acting Supervisor of Boys' Parole | \$ 12.41 | |
| To Executive Secretary | 55.81 | \$ 68.22 |
| Returned to Trustees | | 475.00 |
| To Boys: | | |
| \$18103 | \$ 80.00 | |
| \$ 9868 | 25.00 | |
| \$ 9477 | 53.56 | |
| \$10004 | 50.00 | |
| \$ 9003 | 13.53 | |
| \$17587 | 24.00 | |
| \$ 9534 | 25.00 | |
| \$18506 | 30.00 | |
| \$18048 | 35.00 | |
| \$17135 | 35.10 | |
| \$ 9258 | 40.00 | |
| \$17967 | 75.00 | |
| \$17641 | 55.44 | |
| \$10097 | 40.00 | |
| \$17409 | 36.03 | |
| \$17965 | 15.00 | |
| \$16632 | 43.90 | 676.56 |
| To Commonwealth of Massachusetts: | | |
| Male Wards' Trust Fund Income | \$ 46.00 | |
| Refunds Previous Year | 156.05 | 202.05 |
| Bank Charges | | 1.12 |
| Balance Available April 6, 1948 | \$1,475.00 | \$1,422.95 |
| | | 52.05 |
| | <u>\$1,475.00</u> | <u>\$1,475.00</u> |

Unpaid Wages—Female Wards: It is the practice of the Girls' Branch of this Division to place their wards in private homes as domestics. At the time the ward is placed, the Division enters into a written agreement with the prospective employer, which generally provides that the employer shall pay wages in addition to maintenance, with the further provision that the cost of clothing for the ward shall be deducted from such wages. The balance after such deductions is forwarded to the Division of Juvenile Training for deposit in the ward's savings account. Entire control in the collection of wages due, therefore, rests with the Division of Juvenile Training.

It was noted that on April 6, 1948, more than \$3,100.00 was due these wards of the Division in unpaid wages, some extending back for a period of over

three years. A test of part of the wage accounts revealed 64 violations of wage agreements, and in numerous instances the wards were found to have waited five to eleven months for payment of wages due.

The laws of this Commonwealth deal drastically with employers who fail to meet their pay rolls, and the Department of Labor and Industries maintains an entire division for the sole purpose of collecting unpaid wages. The services of this unit are at the disposal of the Division of Juvenile Training for the collection of these wages, but the Division has demonstrated inertia and unwillingness to move against these delinquent employers.

It is a poor sort of training for juveniles that this Division maintains, when the Division sits idly by and allows problem children in their first jobs to be defrauded of wages they have earned.

It is recommended that the Division of Juvenile Training bring complaints against these delinquent employers through the Department of Labor and Industries, and that the latter Department be given a free hand in proceeding against these employers.

It is further recommended that in all future cases of non-payment of wages on the due date, that the ward be immediately withdrawn from the services of the delinquent employer.

MASSACHUSETTS HOSPITAL SCHOOL

Bookkeeping—General: Due to the reconstruction work which has been going on in the administration building since the fire which occurred in September 1945, work has been carried on under severe handicaps. The present audit began on April 7, 1948, at which time it was possible only to balance the cash accounts. The audit was suspended on April 8, and later recommenced on June 4, 1948.

Shortage of help and resignations of employees since the previous audit, left the bookkeeping far behind. No inventory of stores was possible because of the upset condition of the storeroom with rebuilding operations in progress.

Because of the above conditions, closing entries for the 1947 year, ended June 30, were not received from the Comptroller's Bureau until the last of February 1948 and were finally posted to the ledger during the progress of this audit. Financial reports for the 1948 year have not yet been made out and the state books are not completely up-to-date. The endowment fund cash book and ledger were fully posted and are up-to-date.

Board Account: As a result of postponing the audit from April 8, to June 4 no verification notices of board due were mailed.

A previous audit report commented as follows:

"There are in the board ledger several large credit balances to various cities and towns which should be cleared up as soon as possible.

| | | | | | | | |
|-----------|---|---|---|---|---|-----------|----------------|
| Everett | . | . | . | . | . | \$ 123.43 | 1940 |
| Medford | . | . | . | . | . | 643.65 | 1940 |
| Salem | . | . | . | . | . | 2,035.56 | 1942 and prior |
| Spencer | . | . | . | . | . | 25.71 | 1940 |
| Watertown | . | . | . | . | . | 240.84 | 1942 and prior |

These balances are mostly due to the charging off of accounts where settlement has been lost and the bills have already been paid."

These accounts are still open. It is again recommended that proper steps be taken to dispose of them.

According to a previous audit report there were six cases of outstanding accounts, totaling \$12,041.35 awaiting a determination of place of settlement. Some of these were in the hands of the Attorney General for collection.

One of these accounts, Case W. A. D., Everett, amounting to \$1,534.18 was paid during the current audit period. The following accounts, with the At-

torney General, as of date of audit, April 7, 1948, cover board to approximately January 1, 1947.

| CITY | CASE | AMOUNT | TREATMENT PERIOD |
|-----------|--------|------------|------------------|
| Worcester | K.L. | \$3,279.30 | 1932 - 1946 |
| Worcester | R.M. | 1,590.72 | 1942 - 1946 |
| Worcester | F.E.O. | 1,221.34 | 1943 - 1946 |
| Worcester | J.R.P. | 1,693.63 | 1933 - 1939 |

Additional charges on three of the above accounts, covering board from January 1947 to March 31, 1948, have been entered on the books of the institution, but have not yet been forwarded to the Attorney General's office. It is suggested that the Attorney General be supplied with an up-to-date list of accounts due.

Case of State Treasurer versus Town of Natick—Case of Patient J.C.: The decision rendered by the Supreme Court was against the Commonwealth, which indicated that the father of J. C. is financially able to pay this charge.

It is therefore recommended that the institution now render a bill to the father of J. C. and that the matter then be referred to the Attorney General for settlement.

Endowment Funds: In accordance with a previous audit recommendation a new cash book and ledger have been provided for the use of the bookkeeper and, while most of the accounts have been transferred to the new ledger there still remain eight accounts which have not yet been transferred. It is understood these accounts will be properly entered in the new ledger in the near future.

There should be on the ledger, however, three new accounts showing (1) the balance of securities and (2) the balance of free cash in the hands of the Custodian or in the Boston Safe Deposit and Trust Company. The third account should show the combined assets of securities and cash and carry a credit balance.

All changes made in the principal account during any period should be reflected in the aforementioned accounts.

The last audit report showed the amount of \$360.00 interest in default on New York, New Haven and Hartford Railroad, 4% Convertible Debentures due in 1955. Further investigation, however, shows that these bonds, sold in May 1946, were sold flat, that is without interest, and in accordance with the delivery rules of the New York Stock Exchange affecting this bond issue on the date of sale, they were required to carry the July 1, 1943 and subsequent coupons attached. There was no interest in default noted during the current audit period.

It was noted, that with the approval of the Trustees, expenditures were made from the trust funds income to pay a salary of \$2,000.00 a year to one individual and to add \$520.00 to the state salary of another employee. The propriety of such payments is questionable. It is suggested that this matter be referred to the Attorney General for opinion.

New Bequest: A new bequest of \$500.00 cash was received on February 13, 1948 from the Estate of Lizzie M. Howe and handed directly to the Custodian, the Boston Safe Deposit and Trust Company.

DEPARTMENT OF PUBLIC WORKS

Financial Records in General: Two separate sets of financial records (including the cash) are kept; one for the Division of Waterways and the other for the Highway Division.

HIGHWAYS DIVISION

Highways—Revision of Accounting System: Previous audit reports have treated in detail the expenditures made by the Commission on Administration

and Finance under Item 2940-01 of Chapter 419 of the Acts of 1941 which provided:

"For expenses incidental to the revision of the accounting systems in the department of public works and the metropolitan district commission, under the direction of the commission on administration and finance \$25,000.00."

The Public Administration Service of Chicago, Illinois, was employed by the Commission on Administration and Finance to do the work. A previous audit report stated that up to November 5, 1945, a total of \$30,630.86 had been expended under this authorization. The excess of \$5,630.86 over the original appropriation was provided by transfers from the War Emergency Fund. Of the total expenditures the Public Administration Service received \$27,824.00 for personal services, \$1,302.75 for traveling expenses and \$600.00 for the accounting manuals.

It was understood that about September 1, 1946, the Comptroller's Bureau completed a detailed survey of the bookkeeping system installed by the Public Administration Service so no detailed review was made of it during the audit.

Inventories: An integral part of the installation by the Public Administration Service was an International Business Machine Inventory Control System. Limited test inventories of the items carried in stock at the Maintenance Shop located at D Street, South Boston, and at the Traffic Bureau Shop located at Egleston Square, Boston, were taken on April 1, 1948.

This inventory served no practical purpose, for after vainly waiting approximately seven weeks for perpetual inventory figures to be supplied by the Accounting Division, the audit of the entire department was completed and no figures were furnished for comparison or reconciliation purposes.

It was learned that at no time since the installation of the machine bookkeeping system has a complete physical inventory been taken and checked to the machine perpetual inventory controls. At various times inventories have been taken and it was noted that, in certain instances, a lapse of three months occurred between the date of the physical count and the transmission of these figures to the business agents office. Further delays occurring in the machine room obviously defeated the purpose of the physical inventories. When final figures were obtained, the variances between the physical count and the book balances were excessive and ran into thousands of units.

It is apparent from the foregoing that the so-called perpetual inventory control system which has been in operation since 1944 and was intended to expedite the work of the department in regard to inventory control has certainly not done that which was intended. It is suggested that the Comptroller's Bureau review the routine involved so that arrangements may be made to provide the necessary information currently.

It was again noted that the inventory control account had not yet been brought on the general ledger. In this connection a memorandum dated August 29, 1947 from the Department Business Agent to the Commissioner of Public Works was noted in which he states the reason for not starting a general ledger control account as follows:

"When the new accounting system was installed it was realized that many difficulties in the field would have to be overcome before the system could properly function; Storekeepers would have to be trained, etc. It was intended that the accounting department would make periodic inspections of the stockrooms and, at that time, give the storekeepers the necessary instructions. On account of the urgency of office work the time could not be spared to do this work, with the result that the inventory is not in as good condition as we hoped it would be at this time. For that reason the control account has not been set up because when this is done a balance will have to be established as between stock purchased, stores issued and goods on hand.

"While we believe there has been a consistent improvement each year in the inventory and we hope to be in position to send a representative of this office into the field occasionally in the future, we do not think the control account should be started at the present time."

Attention is called to the statement that "each year" a consistent improvement is believed to be evident in the inventory. It is hard to understand why a system change involving only a minor activity in a major state department must take years before it becomes practically effective.

Highways—Federal Aid: The balances shown in the accounts receivable ledger as being due from the Federal Government amounted to \$62,556.43 on February 2, 1948. In addition, on February 2, 1948, there was approximately \$425,409.55 on 14 completed projects on which final vouchers had not been submitted to the Federal Government.

Federal Aid is granted following the signing of a "Project Agreement" for each project. This is a Federal Government form and is signed by the Commissioners for the Department of Public Works and by the Federal Commissioner of Public Roads or his assistants.

Federal Aid is authorized by the Federal Highway Act and amendments thereto. Generally speaking Federal Aid is 50% of final estimate of cost on regular and secondary roads and 100% on Grade Crossways Eliminated and Defense Access Roads on which there are project agreements. However, because of items for which the Federal Government will not make reimbursement, such as certain landtakings, certain preliminary engineering and engineering costs in excess of 10% of the contract price, the Federal reimbursement is rarely 50% or 100%, as the case may be, of the total cost of the project.

Highways Accounts Receivable—Accounts With Attorney General for Collection Included in Active Accounts Receivable Control Account: This Department has two control accounts for accounts receivable in its general ledger, active and suspense. The balances in the so-called active control account on date of audit totaled \$182,867.09. The balances in the suspense account on this date aggregated \$4,673.09.

Included in the active accounts receivable ledger were accounts totaling \$46,311.85 which had been sent to the Attorney General for collection during the period from 1943 to date of audit and were not transferred to the suspense accounts receivable control account nor the suspense accounts receivable ledger itself. The suspense accounts receivable ledger balance of \$4,673.09 were all accounts with the Attorney General for collection and dated from 1938 to 1942. Beginning, therefore, in 1943 and continuing until the present time, any accounts which were sent to the Attorney General for collection were marked in the active accounts receivable as being in this category; however, they were not transferred to the suspense accounts receivable ledger.

As the balance in the suspense accounts receivable account should reflect the total of accounts sent to the Attorney General for collection, it is recommended that the accounts included in the active accounts receivable account that are with the Attorney General be transferred to suspense and any accounts placed in this category in the future be handled in a like manner.

Highway Fund Accounts Receivable—Verification Notices Not Returned: There were 385 outstanding accounts totaling \$38,485.69 on date of audit. Verification notices were sent out on a test basis to confirm the balances as shown on the books of the Department. Seventy-eight notices were sent and only twenty-nine replies were returned. Second notices were mailed March 10, 1948 on those accounts that did not reply to the first notice. Of the forty-nine second notices sent out only seventeen were returned.

Highway Non-Payment of Rent by Outdoor Advertising Authority: On February 2, 1948 this office sent a verification notice to the Outdoor Advertising Authority requesting confirmation of a charge of \$2,444.33 on the accounts receivable of this Department. This charge covered the occupancy and use

of office space in the Public Works Building at 100 Nashua Street, Boston, Massachusetts for the period from September 13, 1946 to February 29, 1948 at the rate of \$138.88 per month.

The following letter from the Chairman of this Authority was received in reply:

C O P Y

THE COMMONWEALTH OF MASSACHUSETTS

OUTDOOR ADVERTISING AUTHORITY

100 Nashua Street, Boston 14

February 18, 1948

Thomas J. Buckley, Auditor
State House
Boston, Massachusetts

Dear Sir:

The Outdoor Advertising Authority is in receipt of notification dated February 2, 1948 in reference to records of the Department of Public Works alleging unpaid charges of \$2,444.33 on our account as of February 2, 1948, for rent at the Public Works Building.

Your attention is respectfully called to the fact that the regulation and control of outdoor advertising signs was formerly under the Department of Public Works prior to the inception of the Outdoor Advertising Authority; that the activities of the Department were always conducted from the Public Works Building; that the Outdoor Advertising Authority has been housed in the Public Works Building; that no other quarters have been provided for the Authority; and that there was no appropriation in the 1947 budget for this Authority for rent.

Under the circumstances, we are not in a position to be able to verify the information requested in respect to the claim made by the Department of Public Works.

Yours very truly,

CHARLES F. NAYOR
Chairman, Outdoor Adv. Authority

This office is familiar with the fact that the regulation and control of outdoor advertising signs was formerly under the Department of Public Works prior to the inception of the Outdoor Advertising Authority; that the activities of the Department were always conducted from the Public Works Building and that the Outdoor Advertising Authority has been housed in the Public Works Building.

With regard to the Chairman's statement, "that no quarters have been provided for the Authority," it would seem that it was one of the responsibilities of the Authority itself to do this and that they now are provided for. He further states: "that there was no appropriation in the 1947 budget for this Authority for rent." It would seem that this, too, is the responsibility of the Authority. An items should certainly have been included in the budget for this expense. The amount owed at the end of the 1947 fiscal year was \$1,333.28. The records of the Outdoor Advertising Authority show that an amount far in excess of this figure was unexpended and reverted on this date. No doubt

approval could have been received from the budget commissioner to pay the bill at this time since the funds were available.

Many other departments of the Commonwealth, such as the Division of Insurance, Department of Mental Health, etc., occupy and pay for space in the Public Works Building and have been doing so for many years.

The Department of Public Works is charged with maintaining all offices and must pay for heat, light, etc., and reasonably expects to be reimbursed for this through rents. Monthly bills have been rendered by the bookkeeping division of the Department and it has made every effort to collect this debt.

Highways—Contract for Engineering Services for Highway Master Plan—Boston: This contract was awarded on September 5, 1947 and was to be completed February 1, 1948 at a cost of \$107,000.00. The award was made to Charles A. Maguire and Associates, Consulting Engineers, Boston. Total expenditures to audit date were \$100,152.00.

The Joint Board, organized in compliance with the Governor's directive of August 9, 1947 for the purpose of preparing a Master Plan of Highways for the Boston Metropolitan Area submitted its report, together with the report of its consulting engineers, on February 1, 1948.

The Master Plan as developed for the Area includes 23 cities and towns in addition to Boston.

The entire program will require at least ten years to complete at an estimated cost of \$322,000,000.00.

The plan proposes a complete system of expressways to serve the metropolitan area in order to relieve the traffic congestion which now exists and to provide for the anticipated increase in vehicular traffic in the future.

The report contains plates, illustrations and exhibits in addition to an analysis of all data obtained for the survey.

A description of the proposed new routes, estimates of future traffic, recommended improvements in downtown Boston, and cost estimates are all included in the report.

The Joint Board has made the following recommendations:

1. That the Plan be adopted as the Master Plan of Highways for the Boston Metropolitan Area.
2. That its financing be implemented in part by a proportionate share of a state-wide additional gasoline tax of one cent per gallon.
3. That its cost be paid insofar as practicable by long term general obligation bonds of the Commonwealth.
4. That a complete study of the feasibility of toll collection on the expressway system be instituted immediately by the Joint Board.
5. That legislation providing for the relocation of tenants of properties affected be enacted.
6. That legislation providing for the control of the development of land related to highway projects be enacted.
7. That consideration be given to the desirability of conducting parking surveys in Boston and other municipalities.
8. That the Joint Board be continued for the purpose of assisting in the preparation of legislation and in further development and effectuation of the Master Plan.
9. That the policy of highway master planning as established by this report be expanded to cover the other metropolitan areas throughout the State, to be based upon origin and destination studies by the Department of Public Works, the same to be correlated with the ten-year program of the Department by joint action of the Department of Public Works and the State Planning Board.
10. That funds be appropriated to carry out the provisions of recommendations 4 and 9 above, recommendation 9 to be on the basis of Federal funds participating.

Airport—City of Boston Leases: In 1941 the Commonwealth of Massachusetts took over the leasehold of the Logan Airport from the City of Boston. Since this time some of the original leases have been assigned or transferred by the original lessees to other companies. An examination of these land leases for all hangar buildings indicated that they were not too businesslike. They did not provide specific occupancy or use restrictions nor did they definitely establish rights on the management relating to field operations.

A physical inspection of the hangars disclosed the following facts:

Hangars are used in nearly every instance for purposes never intended at the time the original leases were negotiated and the fact that permission was to be obtained before alterations were made or space sublet was disregarded. For example, in the hangar area known as 1-W, these premises are presently occupied by Northeast Airlines under a sublease. However, instead of using this hangar as a hangar the Northeast Airlines uses this building as a test motor shop, a painting and general overhaul shop.

In regard to the hangar area known as 1-S, the lessee, Intercity Airlines, maintains its executive offices and a sales office for airplane supplies in addition to the space used for hangar purposes.

Also, Intercity sublets office space to Northeast Airlines. With reference to these two areas, 1-S and 1-W, each area contains 23,100 sq. ft. of land for which an annual rental of \$1,500.00 each is paid to the Commonwealth. It was noted that during this audit period the Northeast Airlines paid this \$1,500.00 rental on each area to the Commonwealth and, in addition, under the terms of the sublease, paid Intercity Airlines \$8,000.00 per year for each hangar plus taxes and all other charges which Intercity was required to pay. In other words, Intercity is exploiting state-owned land to conduct real estate operations for its own benefit.

During the inspection of the hangar area known as 2-S the following conditions were noted:

The E. W. Wiggins Airway is the present occupant. This operator uses the hangar as follows: Offices for company use, storage, services and repairs to its own and private planes; sells aeronautical merchandise; solicits and conducts chartered passenger and cargo flights; stores and sells aviation fuels to itinerant and non-scheduled flights. This area, covering 23,100 sq. ft. of land, yields an annual rental of only \$1,500.00 to the Commonwealth. Portions of the premises are sublet to United Airlines, Pan American Airlines, and a private physician authorized to examine for Civil Aeronautics Administration. The space sublet to United Airlines is used as a commissary to prepare meals to go aloft. Pan American maintains a small office and shop space. The combined income to Wiggins Company from these subleases far exceeds the amount of rent paid to the State for this area. For example, the monthly income to Wiggins is \$640.75. Monthly income to the State for this area is \$125.00 per month.

The lessee of hangar area 3-S is the Ames Corporation. This company sublet the premises to the Northeast Airlines which in turn sublet, without authority, part of an area to Trans World Airways. Northeast uses the hangar for instrument repair, stockroom and freight, and also for general maintenance work on Northeast planes. TWA maintains a carpenter shop and has office space here. Obviously this hangar is being used for purposes other than storage of airplanes. This area, like the aforementioned areas, contains 23,100 sq. ft. at a rental of \$1,500.00 per year.

Hangar area 4-S is occupied at present by American Airlines. This company uses the space partially for freight and for a machine and battery room. There are three offices on the second floor used in connection with air freight. The area consists of 58,080 sq. ft. at a yearly rental of \$3,771.43.

Upon the termination of the aforementioned leases it is recommended that new leases be negotiated with specific provisions regarding subleases and use

of the areas. It is further recommended that rentals be increased commensurate with such use. If the provisions are not complied with, then immediate steps should be taken to terminate the tenancies and an effort be made to acquire occupants who will abide by the terms of their leases so that the Commonwealth may obtain a more fair return upon its investment in the airport.

Eastern Airlines Temporary Hangar: The Eastern Airlines Temporary Hangar Building was erected in 1945 under provisions of permit No. 10 issued to Eastern Airlines. The only provisions of this permit regulated the location and height of the building.

The Public Works Board proceedings of January 31, 1947 established a monthly rental of \$636.19 amounting to \$7,634.38 per year. However, no lease has been negotiated due to the fact that an agreement has not been reached between the Company and Commonwealth.

Despite the fact that monthly billings have been rendered dating back as far as April 1, 1946, no rent has been paid for the use of this area. To April 30, 1947 the records of the Commonwealth indicate these delinquent charges to be in excess of \$15,892.72.

Although Eastern Airlines has refused to negotiate a lease it nevertheless sublets space in the hangar building and provides services to other airlines. Not one cent of the income derived from these sources has ever been paid over to the Commonwealth.

An inspection of this hangar area and building disclosed the fact that a great deal of this space is used for stockrooms, battery shop, radio shop, office space, and crew sleeping quarters.

It is recommended that immediate action be taken by the Commonwealth to collect all rent due for the use of this area, and also that a short term lease be negotiated with specific stipulations contained therein regarding the matter of sub-leases. In the event that the foregoing cannot be accomplished, it is then suggested that a lease be negotiated between the Commonwealth and some new airline company.

United Airlines Temporary Office Building: Following the issuance of a building order in September 1946 the United Airlines erected a building covering 10,680 sq. ft. of land and occupied almost 12,000 more sq. ft. for other uses of its own. No lease was ever negotiated nor was any income ever received by the Commonwealth for the use of this land area. Based on the rate of 6½¢ per sq. ft., the actual rate charged to other airlines for hangar space, United Airlines should be paying about \$1,500.00 per year rental.

It is recommended that a lease be negotiated for the use of this land immediately and that United Airlines be billed retroactively for this area, and, if necessary, appropriate action taken to collect for past occupancy.

National Guard Building: The National Guard does not pay any revenue to the Commonwealth for land occupied by three hangars. However, space in the National Guard building has been loaned to the Airport Management who in turn rents this space to three international operating airlines. This rental brings in about \$4,000.00 annually to the Commonwealth.

An agreement between the Massachusetts Public Works Department and the National Guard was effected on March 25, 1948 to be retroactive to July 1, 1947 providing for a rental of \$8,000.00 per year to be paid by the National Guard for maintenance and use of the area now occupied.

Three international companies now located in the National Guard building have no leases and presumably could be evicted therefrom. It is therefore recommended that space be found for these three companies in the terminal building. This could be done by reducing the excess space now held by two other airlines in that building.

Ramp and Field Parking Area: It was noted that various airline companies use ramp and field areas for parking planes. There is no record that any fees have ever been established or paid for this use. One airline company has

parked two large transport planes while overhauling them for resale. During the audit period Maine Air Transport had a grounded plane on the field; Wiggins Airways used the flying field for charter, cargo and passenger flights and the National Guard uses the field to park about thirty planes. Yet in all of these cases no revenue was ever received by the State.

Ground Transportation: Certain transportation companies are now using airport driveways to take airline passengers to and from the airport. This source of revenue has proven to be very profitable to these private companies, as evidenced by the large number of taxicabs and busses that appear here daily. However, none of this income has ever been paid to the Commonwealth for the privilege of obtaining this business on airport property.

It is recommended that all transportation companies using the airport grounds for passenger hire be assessed fixed or scheduled fees in order that the Commonwealth derive its proper share of receipts from this source.

Concessions: A very important income-producing factor at the airport is the operation of concessions. It is felt that the Commonwealth does not at present share equitably in the profits made by the proprietors of these concessions.

A flower shop has expanded into a gift shop with no increase in its rental and other concessionaires have undertaken additional business not contemplated by their permits, such as preparing meals to be taken aloft.

Although most of the space has been rented at a minimum rental or percentage of gross receipts, whichever is greater, it is felt that increases should be obtained in many instances especially where increased business has been undertaken by the concessionaires. A permit granted to one advertising company should be revoked since no revenue has been produced from this source.

Vending machines of various types have been installed in most of the buildings at the airport. The income from these machines, with the exception of those installed in buildings under direct control of the airport management, was collected by the lessees and concessionaires up to very recently. However, the airport management is now collecting a percentage from all machines, although the issue is still in doubt as to whether this can be done with regard to vending machines on rented premises. Some machines have been removed entirely because of this uncertainty.

It is recommended that in all future leases and permits specific provisions be inserted to assure the Commonwealth a percentage of all income from vending machines whether located on rented areas or not.

Observation Deck: The observation deck located on the roof of the terminal building has yielded a substantial revenue to the Commonwealth. The admission charge to this deck is ten cents, two cents of which is Federal tax. At present there is only one entrance to this deck which is equipped with a turnstile. There is another unguarded entrance through which sightseers have gained access to the observation deck without paying the customary admission charge.

It is recommended that this entrance be also equipped with a turnstile and designated as an admission gate to the deck.

Landing Fees: Under present landing fees it is possible for scheduled airlines to increase business substantially yet pay less for landing privileges. The present regulations established at the airport for landing fees are based on the number of flights published by airlines each month as their schedule of operations. Under this system the landing fee charges diminish in proportion to the increase in flights scheduled.

Landing fee charges with regard to non-scheduled or itinerant flights are established at the rate of 30c per landing per 1,000 pounds of weight. Aircraft not in excess of 7,500 pounds and not transporting passengers or cargo for hire are exempted from landing fees.

The term "landing fee" is ambiguous and would be better understood if it were called "flight tariff" since the charge is assessed for a flight made *from* the field.

The revenue derived from this source repays to some extent the maintenance and operating cost of the landing field area, which is provided to the airlines by the Commonwealth. It is necessary therefore, that fees be established which are sufficiently high to reimburse the Commonwealth for this outlay.

From the beginning of the current fiscal year to date of audit expenditures for maintenance and operation of field and safety activities amounted to more than \$186,000.00. The total billings for landing fees totaled \$80,500.00. The difference of \$105,500.00 in these figures clearly reflects the fact that this source of revenue does not even offset the maintenance costs, and is adequate reason to take steps toward revising the present flight tariff charges.

Sale of Aviation Fuel as a Source of Income: A large and no doubt profitable business has been conducted for years on public property without the payment of any revenue to the Commonwealth for the privilege of conducting this business, namely, the selling of aviation fuels and lubricants.

Gross aviation fuel sales is believed to be in excess of 5,780,000 gallons for the year 1947. These sales are made by two fixed base operators and a scheduled airline. The fixed base operators sell gas and oil to itinerant private flights and some scheduled airlines not having the facilities to service themselves. The scheduled airline selling lubricants, services an international airline. The fixed base operators and the scheduled airline company are using public property for the storing and selling of aviation fuel and lubricants. However they do not pay one cent of revenue to the Commonwealth for this privilege. It is recommended that these companies having the privilege of using state facilities for conducting a gainful fuel and lubricant business pay to the Commonwealth a percentage of their gross receipts.

At the present time, the Massachusetts gasoline tax is three cents per gallon; however, this tax is rebated on aviation fuel since the statute covering the gasoline tax does not apply to fuels consumed elsewhere than on the highways of Massachusetts.

Information obtained from the Excise Tax Division of the Department of Corporations and Taxation indicates that more than \$173,000.00 paid in aviation fuel gasoline taxes was rebated during the calendar year 1947. Practically all of this money was refunded to scheduled airline companies operating out of Logan Airport.

With the enormous strides made in air travel and the consequent increase of aviation fuel consumption, it is felt that the burden of amortizing the cost of the airfield should be borne in part by the airline companies through the payment of a tax upon the fuel purchased.

If the tax money were retained under proper legislation it would help reduce the bonded debt of the Commonwealth which was created to finance the construction of the airport.

Airport—General: To June 30, 1947 the Commonwealth of Massachusetts has authorized four bond issues totaling \$27,750,000.00 to be used for the expansion and improvement of Logan Airport. At the close of the last fiscal year the Commonwealth had spent \$21,352,913.50 from these bond issues. A further bond issue of \$12,000,000.00 was approved on July 1, 1947 by Chapter 677 of the Acts of 1947.

Besides expanding and improving this airport to the extent that it will be one of the largest and finest airfields in the world, the Commonwealth currently provides the following services for the users of the Airport:

1. Maintenance of runways, taxi-ways, aprons, parking areas and roadways, including approved CAA marking of runways and taxi-ways.
2. Power for instrument approach system (maintained by CAA).

3. Twenty-four hour field crash and fire protection.
4. Twenty-four hour Air Sea rescue boat protection.
5. Field lighting, rotating beacon, street lighting obstruction, lighting of State buildings, and lighting of obstructions outside of airport property.
6. Snow removal and sanding of runways, taxi-ways, aprons, gate positions, parking areas, walks and road-ways in inclement weather.
7. Twenty-four hour terminal building area for handling plane passengers' baggage.
8. Cleaning and maintenance of drainage and sewage facilities.
9. Twenty-four hour waiting room facilities for passengers.
10. Rest rooms and rest room matron service for women passengers.
11. Twenty-four hour information concerning flights, and other airport information requested by individuals calling airport.
12. Certain airlines using space in Administration building basement for porter's lockers.
13. Cleaning of gate positions, aprons, and public roads.
14. Pickup of burnable rubbish.
15. Parking of aircraft on apron and aircraft parking areas when hangar space not available.
16. Twenty-four hour parking of all ramp equipment on apron.
17. Twenty-four hour public address system maintained by airport.
18. Twenty-four hour janitor service in public area rest rooms, etc.
19. Twenty-four hour State Police protection.

During the first six months of the current fiscal year operation and maintenance services at the airport cost the Commonwealth \$168,591.46. For the same period earnings to the Commonwealth from the users of the airport totaled \$130,998.86.

The difference in the above figures clearly reflect the fact that income derived from airport users falls far short of meeting the maintenance costs of the airfield, without mentioning the fact that millions of dollars have been and will be spent for the improvement and expansion of the airfield facilities.

It is recommended that every effort be made by the Commonwealth to obtain an increase in the present revenue and to seek new means to raise additional income.

Contract for Services as Assistant to the Commissioner of Public Works—Logan Airport Lease and Contract Preparation: On January 7, 1948 a contract was awarded to an individual to act as an assistant to the Commissioner of Public Works in connection with the preparation and execution of certain contracts and leases at the General Edward Lawrence Logan Airport.

A fee of \$500.00 per month was authorized. The contract is subject to thirty days cancellation upon written notice from the Department.

Northeast Airlines, Inc.: Previous audit reports have treated in some detail the failure of this company to pay scheduled landing fees from December 1, 1941, when the Logan Airport was returned by the City of Boston to the Department of Public Works. This matter was referred to the Attorney General on July 11, 1945 and February 10, 1947. The total amount of the bill from December 1, 1941 through June 30, 1946 was \$31,375.00 which amount is shown in the Accounts Receivable Ledger as being with the Attorney General. To the present date this matter has not been adjudicated.

DIVISION OF WATERWAYS

Books of Account: The books of account and financial records required to be maintained by the Financial Section, Division of Waterways, have not been kept current.

As of February 2, 1948, the date of this audit, a trial balance of the general

ledger could not be taken, due to the fact that this ledger had not been posted to since June 30, 1945.

The financial reports reflecting the status of the appropriations and expenditures should be prepared at the close of each fiscal year. These financial reports have not been prepared since the fiscal year 1945.

It is recommended that the books of account immediately be brought up to date, and the financial reports prepared for the fiscal years 1946 and 1947.

Delinquent Billings: The income for the Waterways Division is derived from rentals of State pier facilities, licenses issued, sale of plans, rental of province lands, etc.

During the course of the previous audit, attention was called to the fact that invoices amounting to more than five thousand dollars had not been rendered to owners of ships using the facilities of the State piers at New Bedford and Cape Cod Canal.

Invoices have been rendered on the delinquent charges which were noted at that time, however, even though this condition was brought to the attention of the officials in the Division during the previous audit, the billing is still not current.

During the period covered by the current examination, thirty charges, representing the use of facilities at State piers have been allowed to remain unbilled. Charges for use and occupancy of province lands, and the use of facilities at the Plymouth Dock have also remained unbilled.

Chapter 91 of the Tercentenary Edition of the General Laws provides that the Department of Public Works may issue licenses to persons to build wharfs, piers or other structures on land in tidewater. Section 21 of said chapter authorized the department to assess a charge not exceeding 37½¢ per cubic foot of tidewater displaced. Section 15 of said Chapter 91 provides that the license shall expire in five years from its date.

In auditing the records of licenses issued for tidewater displacement, it was found that bills had never been rendered on thirty-four charges for tidewater displacement. These charges amounted to over nine thousand dollars and dated back as far as January 1947.

A few examples of these unbilled charges are as follows:

| LICENSE NUMBER | RECOMMENDED CHARGE | DIVISION OF WATERWAYS DATE RECEIVED BY |
|-------------------|-----------------------|---|
| 2444 | \$7,873.30 | March 10, 1947 |
| 2620 | 233.63 | March 26, 1947 |
| 2787 | 149.00 | October 20, 1947 |
| 2909 | 186.60 | July 15, 1947 |

The Waterways engineers inspected the finished work authorized under the terms of these licenses issued for tidewater displacement. These engineers then computed and recommended the authorized charges as required by Section 21 of Chapter 91, and in turn these charges were promptly approved by the Commissioner of Public Works. Copies of these charges were sent by the engineers to the Director of the Waterways Division for billing purposes.

The Financial Section of the Division, however, neglected to bill these charges.

This entire situation of delinquent billing certainly denotes inefficient administration in this section of the Waterways Division. Furthermore, delinquent billing subjects the Commonwealth and the department to criticism.

It is recommended that the Financial Division immediately install an efficient system for promptly billing all accounts, so that closer attention may be paid to collecting all revenues.

Accounts Receivable: In aging the accounts receivable it was noted that thirty-six accounts, amounting to more than \$2,500.00 dating back to 1943 and prior years, were carried as active accounts receivable.

One of these delinquent accounts carried as "active" and amounting to \$635.50 was actually non-existent. With reference to this account, a license

was granted in 1943 for use and occupancy of Commonwealth tidewater land. However, since the right to take up this license within the one year period, as required by statute, was never exercised; this license was declared null and void in 1944, and the licensee notified of such action by the Waterways Division. At this time, the account should have been canceled in the accounts receivable ledger.

During the previous examination of the Waterways Division, a suggestion was made that all accounts over one year old be given to the Attorney General for collection.

Since that time, the Comptroller's Bureau Accounting Manual was published, requiring all overdue accounts to be referred to the Attorney General for collection, and to be set up in a separate suspense accounts receivable account.

The conditions found when aging the accounts receivable during the current examination reflected the fact that the Financial Section of the Division of Waterways is not accepting the constructive accounting suggestion made during the previous audit regarding suspense accounts receivable, and further indicates violations of the standard operating procedure set up by the Comptroller's Bureau for the proper functioning of these accounts.

It is therefore, again recommended that all accounts over one year old be transferred to a suspense accounts receivable account and placed with the Attorney General for collection. It is further recommended that closer attention be given to the collection procedures so that delinquent accounts will be reduced to a minimum.

Certified Copying Charges: A charge of one dollar is made for a certified copy of licenses or permits. Although each permit and license is recorded in a register when issued to the licensee or permittee, no register is kept to show that the certified copies are issued.

It is recommended that a register be set up to record the issuance of all certified copies, or that a suitable notation be made in the original register to show that a certified copy has been issued.

Employees' Deductions—Bond Fund: In reconciling the weekly pay roll bond fund account, it was found that an unpaid check was being held by the maker, the Division of Waterways.

This check, dated September 1947, in the amount of five dollars and twenty-five cents (\$5.25) represented bond deductions from a deceased employee's earnings.

It was understood that this deceased employee designated a beneficiary for the bonds.

It is recommended that the Financial Section of the Division make an effort to locate and pay to the beneficiary the withheld bond deductions.

Waterways—Old Advance Unpaid: A verification notice was sent to a former employee of the Waterways Division, requesting confirmation of an advance to his account in the amount of forty-five dollars (\$45.00). This notice was returned by the Post Office marked "not here."

It was understood from the Financial Section that this employee was an inmate of a State correctional institution on February 21, 1947, however, his whereabouts is unknown at the present time.

The Financial Section is holding two expense checks of the Commonwealth, payable to this former employee, amounting to twenty-eight dollars and eighty cents (\$28.80) and dated July 24, 1946.

These checks are approximately two years old and should not have been held this length of time. An effort should have been made to have the payee endorse these checks payable to the order of the Commonwealth, so that this amount might have been applied as a credit against the advance fund for the Division.

Waterways Division—Accounts Receivable Verification Notices: As of date of audit the balance of the outstanding accounts receivable amounted to \$11,786.10. Verification notices were sent to about ten per cent of these accounts.

The response to these verification notices was poor, some being returned by the Post Office Department marked "address unknown," "deceased," etc. Others were returned claiming to have no record of the charge and with such comments as "account in bankruptcy, refer to our letter in your files," etc.

Since the response to the first notices was not considered to be a good verification, second notices were sent to all accounts having balances in excess of one dollar.

Many of the notices were returned, however, very few of the accounts were verified as correct. Some persons claimed to have no record of the charges in question, others claimed they did not understand the account, one party stated that the questioned charges were paid. A few notices were returned by the Post Office Department for "address unknown."

In general the response to the verification notices was not considered satisfactory.

It is recommended that the Waterways Division take immediate action to correct or adjust all accounts in question and at least determine the correct addresses of all the accounts listed on their accounts receivable ledgers.

Waterways—Sale of Land and Property: The previous audit report included a comment that a parcel of land on Nashua Street, Boston, was sold on May 20, 1941 for \$100,000.00. The terms of the agreement called for a down payment of \$6,500.00, the balance to be paid in eleven equal payments of \$8,500.00 payable with interest at 4%. The down payment of \$6,500.00 was made but no further payments of principal or interest have been recorded. A supplemental agreement was reached by both parties on November 16, 1943. This supplemental agreement states in part:

"... that the further payments on the purchase price of said premises as required by the terms of said agreement of May 20, 1941 shall be suspended for the duration of the unlimited National Emergency as declared by the President of the United States on May 27, 1941. . . ."

REGISTRY OF MOTOR VEHICLES

Refunds of Fees Account of Applications for Licenses to Operate Motor Vehicles: Previous audit reports stated:

"At present applicants file applications, together with the fee of \$4.00, with the examiner at the examination point. The \$4.00 covers the examination fee of \$2.00 and the license fee of \$2.00. Should the applicant pass the examination, he receives a temporary license and a permanent license is mailed to him later. If the applicant fails in his examination, the license fee of \$2.00 is refunded to him in cash by the examiner. The same arrangement applies in re-examinations, except that the re-examination fee is \$1.00, so that the applicant deposits \$3.00 instead of \$4.00. It is again recommended that the Comptroller's Bureau review the routine of handling examination fees and provide some method that will eliminate the present practice of refunds being made by the examiners."

Since no action has been taken, the recommendation is again repeated.

Beach Wagons, Station Wagons, Jeeps, Towing Cars—Ruling On Fees to be Charged: Last Audit report states as follows:

"It is apparent that no set ruling has been made relative to the fees to be charged for the registration of the above named vehicles. It is suggested that the method of computing fees to be charged for registration of these vehicles be established by proper ruling."

As no change has been made the suggestion is repeated.

Cashier's Office—Over and Short Account: On April 15, 1948 the over and short account in the cashier's office had a net overage balance of \$661.84. This overage is not included in the \$2,000.00 advance fund which includes, cash shortages totaling \$1,403.45. The shortages were made up from the advance money in order to facilitate the handling of income cash records. These overages and shortages have accumulated over several years.

It is suggested that the overage balance in the over and short account be transferred to the \$2,000.00 advance fund, so that only a net shortage balance will be shown in this account.

Cash Overages and Shortages: It is believed that an appropriation may be obtained by the Registrar of Motor Vehicles to clear the loss indicated by the net shortage as shown by the records. The over and short totals are the result of several years of handling fees in the Branches and in the Boston office, and the cashing of pay roll checks and pay roll advance slips in the office of the cashier.

The last previous time that relief was obtained for clearance of items of this type was in 1939.

Temporary Branches: Temporary branches in Taunton and in North Adams were in operation during the busy registration period of 1947-1948. A third temporary branch was opened at Southbridge for the first time and was operated during the same period.

Duplicate Plates: During the 1947 plate year 5509 duplicate plates were manufactured at the State Prison. Cash analysis sheets summary indicates that cash was received for 4775. The balance of 734 is believed to represent mutilated plates for which no charge is made. In order to simplify the verification of plates duplicated for no charge it is suggested that a separate record be kept of such plates.

Duplicate Certificates and Duplicate Licenses: Fees for duplicate certificates and duplicate licenses totaled \$46,848.00 for the 1947 year. The present system of recording these two items, including the filing of applications, makes it hardly possible to verify the income. It is suggested that the Comptroller be contacted relative to improving the present system.

Applications on File—"No Fee": It is suggested that all applications upon which a notation "No Fee" has been entered be initialed by the person granting same. It is also recommended that the reason for the non-payment of fee be entered on the application, or attached thereto.

Oak Bluffs Branch: It is noted that the Oak Bluffs Registry Branch started to operate as a regular branch office May 1, 1947.

Tellers—Overs and Shorts: It is recommended that reconciliation of income reports be turned in daily by each teller to the supervisor of Counter Section. The reports would include overs and shorts.

Advance Money—Chief Accountant: The last two audit reports contained the following:

"It is recommended that the Comptroller's Bureau be contacted relative to the installation of a cash book to record receipts and disbursements of advance money in the office of the Chief Accountant."

This suggestion is repeated as no change has been made.

